



**Auditor of State
Betty Montgomery**

VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of New Middletown
Mahoning County
10711 Main Street, P.O. Box 463
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, 2003 and 2002. 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. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as of December 31, 2003 and 2002, 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 16, 2004 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.

Village of New Middletown
Mahoning County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 16, 2004

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$62,789	\$168,502		\$231,291
Intergovernmental Receipts	33,873	186,935	\$71,479	292,287
Special Assessments		9,241		9,241
Fines, Licenses, and Permits	45,086			45,086
Earnings on Investments	2,102	967		3,069
Miscellaneous	52,848	25,564		78,412
	<u>196,698</u>	<u>391,209</u>	<u>71,479</u>	<u>659,386</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	39,861	317,745		357,606
Public Health Services	5,889			5,889
Leisure Time Activities	7,705			7,705
Community Environment	3,775			3,775
Basic Utility Services	760			760
Transportation		33,973		33,973
General Government	105,518	2,824		108,342
Capital Outlay	1,150	41,058	70,959	113,167
Debt Service:				
Principal Payments		22,504		22,504
Interest Payments		13,202		13,202
	<u>164,658</u>	<u>431,306</u>	<u>70,959</u>	<u>666,923</u>
Total Receipts Over/(Under) Disbursements	<u>32,040</u>	<u>(40,097)</u>	<u>520</u>	<u>(7,537)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		35,000		35,000
Advances-In	10,000	12,000		22,000
Transfers-Out	(35,000)			(35,000)
Advances-Out	(10,000)	(12,000)		(22,000)
Other Financing Sources		7,846		7,846
	<u>(35,000)</u>	<u>42,846</u>		<u>7,846</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,960)	2,749	520	309
Fund Cash Balances, January 1	<u>172,165</u>	<u>237,303</u>		<u>409,468</u>
Fund Cash Balances, December 31	<u>\$169,205</u>	<u>\$240,052</u>	<u>\$520</u>	<u>\$409,777</u>

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

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Fines, Licenses and Permits	\$50,801
Total Operating Cash Receipts	50,801
Operating Cash Disbursements:	
Other	49,876
Total Operating Cash Disbursements	49,876
Operating Income/(Loss)	925
Fund Cash Balances, January 1	1,235
Fund Cash Balances, December 31	\$2,160

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$61,372	\$165,631	\$227,003
Intergovernmental Receipts	61,760	285,014	346,774
Special Assessments		9,199	9,199
Fines, Licenses, and Permits	31,842		31,842
Earnings on Investments	5,584	1,610	7,194
Miscellaneous	51,466	9,512	60,978
	<u>212,024</u>	<u>470,966</u>	<u>682,990</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	42,774	275,736	318,510
Public Health Services	5,715		5,715
Leisure Time Activities	82,378	54,000	136,378
Community Environment	3,181		3,181
Basic Utility Services			
Transportation		47,867	47,867
General Government	105,127	4,399	109,526
Capital Outlay		388,884	388,884
	<u>239,175</u>	<u>770,886</u>	<u>1,010,061</u>
Total Cash Disbursements	<u>239,175</u>	<u>770,886</u>	<u>1,010,061</u>
Total Receipts Under Disbursements	<u>(27,151)</u>	<u>(299,920)</u>	<u>(327,071)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Notes		280,000	280,000
Transfers-In		4,847	4,847
Advances-In	19,000	19,000	38,000
Transfers-Out		(4,847)	(4,847)
Advances-Out	(19,000)	(19,000)	(38,000)
Other Financing Sources		6,639	6,639
Other Financing Uses		(30)	(30)
		<u>286,609</u>	<u>286,609</u>
Total Other Financing Receipts/(Disbursements)		<u>286,609</u>	<u>286,609</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(27,151)	(13,311)	(40,462)
Fund Cash Balances, January 1	<u>199,316</u>	<u>250,614</u>	<u>449,930</u>
Fund Cash Balances, December 31	<u>\$172,165</u>	<u>\$237,303</u>	<u>\$409,468</u>
Reserves for Encumbrances, December 31	<u>\$644</u>	<u>\$2,082</u>	<u>\$2,726</u>

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

VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licenses and Permits	\$34,974
Total Operating Cash Receipts	34,974
Operating Cash Disbursements:	
Other	36,489
Total Operating Cash Disbursements	36,489
Operating Income/(Loss)	(1,515)
Fund Cash Balances, January 1	2,750
Fund Cash Balances, December 31	<u><u>\$1,235</u></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, 2003 AND 2002**

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 is directed by a publicly-elected six-member Council. The Village provides general government services, police and fire services, road maintenance, and park operations.

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 reported as assets. 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.

Repurchase agreements are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

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 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 restricted to constructing, maintaining and repairing Village roads.

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund -This fund receives property tax money restricted to providing the Village with fire protection services.

Police Levy Fund – This fund receives property tax money restricted to providing police protection throughout the Village.

3. Capital Project Funds

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 or trust funds). The Village had the following capital project fund:

Issue II Project Fund – This fund receives money from the State of Ohio. The proceeds are being used to improve various Village roads and water and sewer lines.

4. Fiduciary Fund (Agency Fund)

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

Mayor's Court Fund – This fund accounts for the receipt and disbursement of fines and costs resulting from disposition of mayor's court cases.

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 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. 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.

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 2003 and 2002 budgetary activity appears in Note 3.

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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:

	2003	2002
Demand deposits	(\$6,029)	(\$7,938)
Total deposits	(6,029)	(7,938)
Repurchase agreement	230,178	232,918
STAR Ohio	187,788	185,723
Total investments	417,966	418,641
Total deposits and investments	\$411,937	\$410,703

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,011	\$196,698	\$19,687
Special Revenue	452,140	434,055	(18,085)
Capital Projects	80,000	71,479	(8,521)
Total	\$709,151	\$702,232	(\$6,919)

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$334,341	\$199,658	\$134,683
Special Revenue	667,342	431,306	236,036
Capital Projects	80,000	70,959	9,041
Total	\$1,081,683	\$701,923	\$379,760

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,296	\$212,024	\$24,728
Special Revenue	787,205	762,452	(24,753)
Total	\$974,501	\$974,476	(\$25)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$386,610	\$239,819	\$146,791
Special Revenue	1,041,015	777,845	263,170
Total	\$1,427,625	\$1,017,664	\$409,961

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 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 accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

General Obligation Note	<u>\$257,496</u>	4.94%
Total	<u><u>\$257,496</u></u>	

The General Obligation Note relates to the purchase of a fire truck. The fire truck note was issued for \$280,000, to be paid in semi-annual payments of \$17,853 including interest over 10 years. The note is collateralized solely by the Village's taxing authority.

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

	General Obligation Note
Year ending December 31:	
2004	\$35,706
2005	35,706
2006	35,706
2007	35,706
2008	35,706
Subsequent	142,824
Total	<u>\$321,354</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risk:

- Errors and omissions

**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

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 Villages policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool.

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

8. RESTATEMENT OF FIDUCIARY FUND BALANCE

To accurately report the Village's Mayor Court finances, it was determined to restate the Agency Fund cash fund balance at January 1, 2002 from \$360 to \$2,750.



**Auditor of State
Betty Montgomery**

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

Village of New Middletown
Mahoning County
10711 Main Street, P.O. Box 463
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, 2003 and 2002 and have issued our report thereon dated April 16, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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.

Village of New Middletown
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management, and the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 16, 2004



**Auditor of State
Betty Montgomery**

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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 6, 2004**