



**Auditor of State  
Betty Montgomery**



VILLAGE OF MIDDLEPORT  
MEIGS COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Middleport  
Meigs County  
237 Race Street  
Middleport, Ohio 45760

To the Village Council:

We have audited the accompanying financial statements of the Village of Middleport, Meigs 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 2003 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. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 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 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 our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Middleport, Meigs County, 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 July 8, 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.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under Section 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

July 8, 2004

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$65,541	\$56,713	\$	\$122,254
Special Assessments	234,939			234,939
Intergovernmental Receipts	161,953	342,286		504,239
Charges for Services	19,240	133,312	74,082	226,634
Fines, Licenses, and Permits	49,807	3,341		53,148
Earnings on Investments	2,084			2,084
Miscellaneous	28,752	9,716		38,468
Total Cash Receipts	<u>562,316</u>	<u>545,368</u>	<u>74,082</u>	<u>1,181,766</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	298,923	49,520		348,443
Basic Utility Services		132,845		132,845
Transportation		101,432		101,432
General Government	163,857	13,199		177,056
Debt Service:				
Principal Payments	24	43,528		43,552
Interest Payments	2,022	15,146		17,168
Capital Outlay	5,500	209,436	248,896	463,832
Total Cash Disbursements	<u>470,326</u>	<u>565,106</u>	<u>248,896</u>	<u>1,284,328</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>91,990</u>	<u>(19,738)</u>	<u>(174,814)</u>	<u>(102,562)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes			147,537	147,537
Other Financing Sources	4,996	20,000		24,996
Transfers-In		33,250		33,250
Transfers-Out	(56,744)			(56,744)
Total Other Financing Receipts/(Disbursements)	<u>(51,748)</u>	<u>53,250</u>	<u>147,537</u>	<u>149,039</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	40,242	33,512	(27,277)	46,477
Fund Cash Balances, January 1	<u>11,246</u>	<u>88,101</u>	<u>201,018</u>	<u>300,365</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$51,488</b></u>	<u><b>\$121,613</b></u>	<u><b>\$173,741</b></u>	<u><b>\$346,842</b></u>

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

VILLAGE OF MIDDLEPORT  
MEIGS COUNTY

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

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$478,935	\$	\$	\$478,935
Earnings on Investments		646		646
Miscellaneous	11,599			11,599
Total Operating Cash Receipts	<u>490,534</u>	<u>646</u>	<u>0</u>	<u>491,180</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	151,150			151,150
Fringe Benefits	58,293			58,293
Contractual Services	163,245			163,245
Supplies and Materials	59,018			59,018
Capital Outlay	10,850			10,850
Total Operating Cash Disbursements	<u>442,556</u>	<u>0</u>	<u>0</u>	<u>442,556</u>
Operating Income/(Loss)	<u>47,978</u>	<u>646</u>	<u>0</u>	<u>48,624</u>
<b>Non-Operating Cash Receipts:</b>				
Intergovernmental Receipts	2			2
Other Non-Operating Receipts	9,630		50,884	60,514
Total Non-Operating Cash Receipts	<u>9,632</u>	<u>0</u>	<u>50,884</u>	<u>60,516</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	75,298			75,298
Other Non-Operating Cash Disbursements	38,764		50,769	89,533
Total Non-Operating Cash Disbursements	<u>114,062</u>	<u>0</u>	<u>50,769</u>	<u>164,831</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	(56,452)	646	115	(55,691)
Transfers-In	24,140			24,140
Transfers-Out		(646)		(646)
Net Cash Receipts Over/(Under) Cash Disbursements	(32,312)	0	115	(32,197)
Fund Cash Balances, January 1	<u>158,294</u>	<u>87,720</u>	<u>4,386</u>	<u>250,400</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$125,982</u></b>	<b><u>\$87,720</u></b>	<b><u>\$4,501</u></b>	<b><u>\$218,203</u></b>

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



VILLAGE OF MIDDLEPORT  
MEIGS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$72,963	\$52,482	\$	\$125,445
Special Assessments	248,957			248,957
Intergovernmental Receipts	103,824	101,377	80,420	285,621
Charges for Services	14,767	117,558	70,928	203,253
Fines, Licenses, and Permits	44,626	7,442		52,068
Earnings on Investments	1,604	583		2,187
Miscellaneous	26,617	8,959		35,576
<b>Total Cash Receipts</b>	<b>513,358</b>	<b>288,401</b>	<b>151,348</b>	<b>953,107</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	264,694	4,550		269,244
Public Health Services				0
Leisure Time Activities		1,554		1,554
Community Environment				0
Basic Utility Services		102,569	21,656	124,225
Transportation		119,486		119,486
General Government	277,166	20,374		297,540
Debt Service:				
Principal Payments		53,282		53,282
Interest Payments	982	17,999		18,981
Capital Outlay	56,258	15,212	561,321	632,791
<b>Total Cash Disbursements</b>	<b>599,100</b>	<b>335,026</b>	<b>582,977</b>	<b>1,517,103</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(85,742)</b>	<b>(46,625)</b>	<b>(431,629)</b>	<b>(563,996)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes	103,258		236,830	340,088
Transfers-In		43,800		43,800
Transfers-Out	(52,113)			(52,113)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>51,145</b>	<b>43,800</b>	<b>236,830</b>	<b>331,775</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(34,597)</b>	<b>(2,825)</b>	<b>(194,799)</b>	<b>(232,221)</b>
<b>Fund Cash Balances, January 1</b>	<b>45,843</b>	<b>90,926</b>	<b>395,817</b>	<b>532,586</b>
<b>Fund Cash Balances, December 31</b>	<b>\$11,246</b>	<b>\$88,101</b>	<b>\$201,018</b>	<b>\$300,365</b>

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

VILLAGE OF MIDDLEPORT  
MEIGS COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$473,561	\$	\$	\$473,561
Miscellaneous	38,368			38,368
Total Operating Cash Receipts	511,929	0	0	511,929
<b>Operating Cash Disbursements:</b>				
Personal Services	136,952			136,952
Fringe Benefits	54,747			54,747
Contractual Services	116,226			116,226
Supplies and Materials	60,140			60,140
Other Expenditures	4,899			4,899
Capital Outlay	30,424			30,424
Total Operating Cash Disbursements	403,388	0	0	403,388
Operating Income/(Loss)	108,541	0	0	108,541
<b>Non-Operating Cash Receipts:</b>				
Refund from Trust Account	27,658			27,658
Other Non-Operating Receipts	3,819		52,048	55,867
Total Non-Operating Cash Receipts	31,477	0	52,048	83,525
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	75,963			75,963
Other Non-Operating Cash Disbursements			49,455	49,455
Total Non-Operating Cash Disbursements	75,963	0	49,455	125,418
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	64,055	0	2,593	66,648
Transfers-In	8,313			8,313
Net Receipts Over/(Under) Disbursements	72,368	0	2,593	74,961
Fund Cash Balances, January 1	85,926	87,720	1,793	175,439
<b>Fund Cash Balances, December 31</b>	<b>\$158,294</b>	<b>\$87,720</b>	<b>\$4,386</b>	<b>\$250,400</b>

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

**VILLAGE OF MIDDLEPORT  
MEIGS 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 Middleport, Meigs 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 water and sewer utilities, street repair and maintenance, park operations, 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 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.

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 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.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

*Refuse Fund* - This fund accounts for the receipts and disbursements related to trash collection and disposal in the Village. The Village contracts with a private vendor for this service.

**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 significant Capital Project Fund:

*Water Improvement Fund* - This fund receives loan proceeds and grant funds from the Ohio Water Development Authority and the Ohio Public Works Commission. The proceeds are being used to make improvements to the existing water and sewer system structures.

**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.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

*Cemetery Endowment Trust Fund* – This Nonexpendable Trust Fund receives interest on certificates of deposit for which cemetery maintenance and upkeep costs are paid.

*Mayor's Court Fund* – This agency fund accounts for the financial activity of the Mayor's Court.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

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

**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) could not exceed appropriations at the fund, function or object level of control through 2002 and may not exceed appropriations at the fund level of control for 2003 and thereafter. 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

A summary of 2003 and 2002 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. 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:

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2003	2002
Demand deposits	\$469,163	\$454,883
Certificates of deposit	95,882	95,882
Total deposits	\$565,045	\$550,765

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

**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	\$540,000	\$567,312	\$27,312
Special Revenue	280,500	598,618	\$318,118
Capital Projects	63,000	221,619	\$158,619
Enterprise	515,443	524,306	\$8,863
Nonexpendable Trust	0	646	\$646
Total	\$1,398,943	\$1,912,501	\$513,558

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$597,759	\$527,070	\$70,689
Special Revenue	386,611	565,106	(178,495)
Capital Projects	257,000	248,896	8,104
Enterprise	562,466	556,618	5,848
Nonexpendable Trust	0	646	(646)
Total	\$1,803,836	\$1,898,336	(\$94,500)

**2002 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$535,582	\$616,616	\$81,034
Special Revenue	278,245	332,201	53,956
Capital Projects	358,188	388,178	29,990
Enterprise	485,631	551,719	66,088
Nonexpendable Trust	0	0	0
Total	\$1,657,646	\$1,888,714	\$231,068

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$525,007	\$651,213	(\$126,206)
Special Revenue	433,292	335,026	98,266
Capital Projects	475,017	582,977	(107,960)
Enterprise	567,378	479,351	88,027
Nonexpendable Trust	0	0	0
Total	\$2,000,694	\$2,048,567	(\$47,873)

Contrary to Ohio law, appropriations exceeded the total estimated resources in 2002 in the Street Construction, Maintenance and Repair Fund by \$44,720, the Fire Equipment Fund by \$25,170, the Water Improvement Fund by \$8,200, the Water Operating Fund by \$59,213, the Recreation Fund by \$29,144 and the Cemetery Fund by \$12,430. Appropriations exceeded the total estimated resources in 2003 in the General Fund by \$48,794, the Street Construction, Maintenance and Repair Fund by \$59,235, the Fire Equipment Fund by \$32,398, the Water Improvement Fund by \$25,410, the Recreation Fund by \$7,937 and the Cemetery Fund by \$19,019. Also, contrary to Ohio Law, expenditures exceeded appropriations at both the object level and the fund level in both 2002 and 2003. Also, contrary to Ohio Law, expenditures exceeded appropriations at the fund level in 2003 in the Refuse Fund, the Law Enforcement Trust Fund, the Federal Emergency Management Agency Fund, the Sewer Fund, and the Meter Deposits Fund. Expenditures also exceeded appropriations in 2002 in the General Fund, the COPS FAST Grant Fund, the School Alumni Fund, the Sewer Improvement Fund, and the Meter Deposits Fund.

**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 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.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of one 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.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**5. LOCAL INCOME TAX (Continued)**

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.

Income Tax receipts collections for years ended December 31, 2003 and 2002 were \$219,591 and \$248,957, respectively.

**6. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan (OPWC)	\$235,970	8.09%
Water Mortgage Revenue Bonds	60,000	5.25%
Ohio Water Development Loan #1749	115,182	3.00%
Ohio Water Development Loan #3429	405,644	3.00%
Ohio Water Development Loan #3385	381,873	6.03%
General Obligation Notes (Fire Truck)	105,000	5.00%
Fire Truck Loan	137,187	5.75%
Capital Lease - Chipper	18,103	5.10%
Mark V Demolition Note	47,000	3.60%
Line of Credit	53,000	4.00%
Total	<u>\$1,558,959</u>	

The Ohio Public Works Commission (OPWC) loan relates to a sewer lift station project. The loan will be repaid in semiannual installments of \$8,357, including interest, until the loan matures in 2022.

The Ohio Water Development Authority (OWDA) loans relates to a water and sewer plant construction and improvement project. The loans will be repaid in semiannual installments over the next 18 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Water Mortgage Revenue Bonds were issued in 1967 for waterworks facilities improvement. The debt will be repaid in annual principal installments of \$15,000. Revenue from the water system will be used to repay this debt. The Water Mortgage Revenue Bonds trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village has established this fund. At December 31, 2003, the custodian held \$104,426 in Village assets. These assets and the related activity of the trust account are not reflected in the accompanying financial statements. The Village called the debt in 2004 and as a result, the escrow agent, (U.S. Bank), refunded the Village \$42,300.93 of excess trust account proceeds on June 14, 2004 received into the Water Fund.

The General Obligation Bonds were issued in 1998 to refinance the Farmer's Home Administration Loan (FmHA) that was issued in 1991 for the purchase of a ladder truck for the fire department. The loan will be repaid in annual principal payments of \$30,000. The full faith and credit of the Village has been pledged to repay this debt.



**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**6. DEBT (Continued)**

The Fire Truck Loan was issued in 2000 to purchase a new fire truck. The loan will be repaid in annual installments of \$21,714, including interest. The full faith and credit of the Village has been pledged to repay this debt.

The Capital Lease was entered into for a Bandit Chipper in 2003. The lease will be paid in annual installments of \$5,117, including interest. The leased equipment has been pledged as collateral.

The Mark V Demolition note was issued in 2003 to refinance a note issued in 2002. The proceeds of the notes was used to demolish an old abandoned building which was a health and safety threat within the Village.

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

Year ending	OPWC Loan	Water Mortgage Revenue Bonds	OWDA Loan #1749	OWDA Loan #3429	General Obligation Bonds (Fire Truck)	Fire Truck Loan
December 31:						
2004	\$16,713	\$18,150	\$16,743	\$28,891	\$40,460	\$21,714
2005	16,713	17,362	16,743	28,891	38,640	21,714
2006	16,713	16,575	16,743	28,891	36,820	21,714
2007	16,713	15,788	16,743	28,891		21,714
2008	16,713		16,743	28,891		21,714
Subsequent	233,991		83,713	286,520		65,141
Total	<u>\$317,556</u>	<u>\$67,875</u>	<u>\$167,428</u>	<u>\$430,975</u>	<u>\$115,920</u>	<u>\$173,711</u>

Year ending	Capital Lease Chipper	Mark V Demolition Note
December 31:		
2004	\$5,117	\$48,695
2005	5,117	
2006	5,117	
2007	5,117	
2008		
Subsequent		
Total	<u>\$20,468</u>	<u>\$48,695</u>

The Village also has an Ohio Water Development Authority Planning Loan for water system improvements. As of December 31, 2003, \$381,873 has been drawn against the available \$588,314 loan award. At the end of 2003, the Village opened a \$65,000 line of credit through People's Bank to be used specifically for capital improvements. The line of credit expires October 9, 2004. At December 31, 2003, \$53,000 has been drawn against the \$65,000 line of credit award. Both the loan and the line of credit have not yet been closed. Accordingly, no amortization of the OWDA loan will be presented until the project has been completed. Amortization of the line of credit will not be presented until the line of credit is closed.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**6. DEBT (Continued)**

In addition to the debt described above, during 2002, the Village defeased \$95,574 in Sewer Revenue Mortgage Bonds from prior years.

**7. 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 for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. RISK MANAGEMENT**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2003</b>	<b>2002</b>
Assets	\$5,402,167	\$5,584,592
Liabilities	(1,871,123)	(2,441,793)
Members' Equity	\$3,531,044	\$3,142,799

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

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

**9. CONTINGENT LIABILITIES**

The Village opened a line of credit specifically for capital improvements in October, 2003. However, the Village drew \$53,000 to meet payroll through December 31, 2003. While no action has been taken as of the date of the audited financial statements, the financial institution providing this credit may call the debt in citing a debt covenant violation.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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**Auditor of State  
Betty Montgomery**

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

Village of Middleport  
Meigs County  
237 Race Street  
Middleport, Ohio 45760

To the Village Council:

We have audited the accompanying financial statements of Village of Middleport, Meigs County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 18, 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2004.

**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 judgment, 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-002 and 2003-005 through 2003-008.

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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. 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 considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2003-006 to be a material weakness. 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 June 18, 2004.

This report is intended solely for the information and use of 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

June 18, 2004

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated resources. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations were not filed with the County Auditor for 2003. Appropriations were not filed with the County Auditor until May 29, 2002 for 2002.

Appropriations exceeded Estimated Resources in the following funds during 2003:

General Fund	(\$48,794)
Street Fund	(\$59,235)
Fire Equipment Fund	(\$32,398)
Water Improvement Fund	(\$25,410)
Recreation Fund	(\$7,937)
Cemetery Fund	(\$19,019)

Appropriations also exceeded Estimated Resources in the following funds during 2002:

Street Fund	(\$44,720)
Fire Equipment Fund	(\$25,170)
Water Improvement Fund	(\$8,200)
Water Operating Fund	(\$59,213)
Recreation Fund	(\$29,144)
Cemetery Fund	(\$12,430)

We recommend the Village Council approve appropriations based upon their Certificate of Estimated Resources. We also recommend the Village file their approved appropriations with the County Auditor at the beginning of the year.

**FINDING NUMBER 2003-002**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code Section 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them. Transfers may be made by resolution or ordinance from one appropriation item to another

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING NUMBER 2003-002 (Continued)**

**Noncompliance Citation/Reportable Condition (Continued)**

Approved appropriations did not agree with the amounts entered into the system for seventy-five percent (75%) of the entries tested in 2003 and actual expenditures exceeded approved appropriations in the following funds by these amounts during 2003:

Refuse Fund	(\$15,064)
Law Enforcement Trust Fund	(\$9,128)
FEMA Federal Grant Fund	(\$37,023)
Sewer Operating Fund	(\$42,020)
Meter Deposits Fund	(\$7,481 )

Actual expenditures also exceeded approved appropriations in the following funds by these amounts during 2002:

General Fund	(\$126,206)
COPS Fast Fund	(\$1,720)
School Alumni Donations	(\$125)
Sewer Improvement Fund	(\$276,823)
Meter Deposits Fund	(\$4,899)

We recommend Village Council review budget versus actual reports and verify that amounts entered into the system agree with the approved amounts. We also recommend that Council monitor expenditures versus approved appropriations and amend the appropriations when deemed necessary.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

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

Thirty-seven percent of the expenditures tested during 2003 and 2002 exceeded the appropriation authority at the line item (object) level. This resulted because the appropriations adopted by Village Council were not posted to the accounting system as approved. In addition, the status of the budgeted amounts were not monitored and amended as required by the Revised Code.

We recommend the Village Clerk-Treasurer not certify a purchase obligation if the account to be charged does not have adequate appropriations to cover that obligation. We further recommend the official or department head authorizing such obligations first determine whether adequate appropriation authority exists prior to placing an order and, if not, request that an appropriation amendment or supplement be authorized.



**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING 2003-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or 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. 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 of less than \$100 for counties, or less than \$1,000 (\$3,000 effective April 7, 2003) for other political subdivisions, 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.

Eighty-four percent of the expenditures tested were not encumbered prior to the date of obligation and no then and now certificate was issued.

We recommend all purchases be properly certified by the Village Clerk-Treasurer officer prior to commitment.

**FINDING 2003-005**

**Finding for Recovery**

Discrepancies noted in utility accounts should be investigated and resolved. Every attempt should be made to recover missing money.

The following represents payments made to the Village of Middleport Utilities Department by customers during 2001, as evidenced by proof of payment provided by the customers, which were not posted to the customer's accounts. There were also discrepancies in the Utility Department bank deposits during 2001 which resulted in the bank deposits not reconciling to the Utility Department's Daily Reports.

**MEIGS COUNTY**  
**SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2003 AND 2002**  
**(Continued)**

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

**FINDING 2003-005 (Continued)**

**Finding for Recovery (Continued)**

2001 Date	Acct #	Total Amount not Posted	Deposit Short	Water	Sewer	Refuse	Assessment	Meter Deposit
Feb. 22	0878.00	\$50.16		\$20.34	\$15.82	\$9.00	\$5.00	
Mar. 14	0904.00	40.18		13.16	13.02	9.00	5.00	
Mar. 14	0472.00	49.63		19.81	15.82	9.00	5.00	
Mar. 22	1222.00	55.26		22.96	17.40	9.90	5.00	
Mar. 23	1045.00	115.41		38.93	51.48		25.00	
Apr. 10			100.00	35.00	37.00	16.00	12.00	
Apr. 24	1257.25	47.98		18.76	14.32	9.90	5.00	
Apr. 25	1411.00	51.22		21.40	15.82	9.00	5.00	
Apr. 25	0997.00	31.34		7.98	9.36	9.00	5.00	
Apr. 25	0750.00	27.60		7.18	8.42	7.00	5.00	
May 02	1151.00	59.74						\$59.74
May 04			40.00	14.00	14.80	6.40	4.80	
May 14	0085.00	45.88		9.85	14.32	16.71	5.00	
May 14	1305.00	54.52		17.17	22.45	9.90	5.00	
Jun. 04			200.00	70.00	74.00	32.00	24.00	
Jun. 14	0954.50	55.88		21.09	20.41	9.38	5.00	
Jun. 14	0985.00	50.00		18.67	20.41	5.92	5.00	
Jun. 14	1104.00	42.32		15.20	15.12	7.00	5.00	
Jun. 14	0337.00	183.75		74.13	80.72	18.90	10.00	
Customer deposits short		\$960.87	\$340.00	\$445.63	\$460.69	\$194.01	\$140.80	\$59.74
Bank deposit short		<u>340.00</u>						
Total Finding for Recovery		<u>\$1,300.87</u>						

Although the Village found the discrepancy themselves and concluded, upon investigation in coordination with the Bureau of Criminal Investigation, that Utility Department employee, Christy Williams, was responsible for the shortages, the Village made no attempt to recover the missing funds.

During our audit, our office became aware of the missing funds and the fact that the County Prosecutor had not been informed of the situation by the Village. Our office supplied the prosecutor with information regarding the missing funds.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for public monies collected but unaccounted for is hereby issued against Christy Williams in the amount of \$1,300.87, (\$445.63 in favor of the Water Fund, \$460.69 in favor of the Sewer Fund, \$194.01 in favor of the Refuse Fund, \$140.80 in favor of the Assessment Fund and \$59.74 in favor of the Meter Deposit Fund).

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**FINDING 2003-006**

**Reportable Condition**

It is important that Village Council and the finance committee monitor financial activity closely. While the Council approved all vouchers for payment, there is no documentation of the extent to which the Council reviews financial information to monitor the financial activity of the Village. This allowed posting errors and un-reconciled financial balances to occur and remain undetected for an extended period of time.

We recommend the Village Council carefully review and approve pertinent financial information, such as; 1) Fund Status Report, 2) Warrant Register Report, 3) Cash Journal, 4) Budgeted vs. Actual Receipts Report, 5) Budgeted vs. Actual Expenditures Report, 6) Outstanding Debt Summary, 7) Investment Journal, and 8) Transaction Log on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?
- If unusual reconciliation items occur, is the reason understood, and has it been appropriately documented?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

The Village Clerk-Treasurer, Mayor and the Village Council should also become familiar with the Ohio Compliance Supplement (Revised January, 2004) which has been provided to them, as a tool to assist them in complying with applicable Ohio laws and regulations. Finally, we recommend the Village Council document their approval of these financial reports in the Minute Record.

**FINDING 2003-007**

**Material Weakness**

The Village's books were not reconciled with the depositories for several months throughout the audit period. Those which were performed did not agree to the financial statements because there were several posting errors and omissions in the Village's accounting system. In addition, outstanding checks were not carried forward to the next month listing and they never cleared the bank.

Because of this, management was unable to determine whether their short-term and long-term decisions were financially sound. This also resulted in funds not being made available to various departments to meet their expenses as well as financial statement misstatements.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING 2003-007 (Continued)**

**Material Weakness (Continued)**

We recommend the Village Clerk-Treasurer perform bank reconciliations monthly and resolve any discrepancies noted in the reconciliation. Posting of receipts and expenses should be done at the time the deposit is made or when the check is written.

**FINDING 2003-008**

**Reportable Condition**

The Village obtained a line of credit in the amount of \$65,000 with People's Bank on October 9, 2003. The Note states the specific purpose of the loan is Capital Improvements. The outstanding balance on the loan as of December 31, 2003 was \$53,000. The debt covenants specify a 'false statement' as an event of default. The proceeds of the loan were used to meet the Village's payroll obligations through the end of the fiscal year and not for Capital Improvements.

This occurred because the Village Clerk-Treasurer was unable to reconcile the bank statements for the years ending December 31, 2002 and December 31, 2003 there was a question as to whether funds were available to meet current payroll expenditures. However, the false statement as to the purpose of the note could result in the bank declaring the Village to be in default which would cause the entire note to become due immediately.

We recommend the Village Clerk-Treasurer reconcile the bank statements and determine the extent to which current funds are available to repay the line of credit. We recommend the Village repay the line of credit from current funds to provide for proper matching of revenues and expenditures for the period.

**VILLAGE OF MIDDLEPORT  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2001-30753-001	Ohio Rev. Code Section 5705.41(D) for not certifying the availability of funds prior to obligation.	No	Not Corrected. Repeated as Finding Number 2003-004.





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF MIDDLEPORT**

**MEIGS 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  
JANUARY 13, 2005**