



**Auditor of State  
Betty Montgomery**



VILLAGE OF MIDLAND  
CLINTON COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Midland  
Clinton County  
111 South Broadway  
Midland, Ohio 45148

To the Village Council:

We have audited the accompanying financial statements of the Village of Midland, Clinton 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. 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 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.

As discussed in note 8, the Village is experiencing significant financial difficulties.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2005 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 Board 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

February 15, 2005

**VILLAGE OF MIDLAND  
CLINTON 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$14,206	\$3,096	\$17,302
Intergovernmental Receipts	13,589	14,301	27,890
Charges for Services	14,701		14,701
Fines, Licenses, and Permits		20	20
Earnings on Investments		286	286
Miscellaneous	<u>2,992</u>		<u>2,992</u>
Total Cash Receipts	<u>45,488</u>	<u>17,703</u>	<u>63,191</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		2,430	2,430
Public Health Services	53		53
Basic Utility Services	11,997		11,997
Transportation		4,227	4,227
General Government	27,656	6	27,662
Debt Service:			
Principal Payments	<u>500</u>		<u>500</u>
Total Cash Disbursements	<u>40,206</u>	<u>6,663</u>	<u>46,869</u>
Total Receipts Over Disbursements	5,282	11,040	16,322
Fund Cash Balances, January 1	<u>(7,745)</u>	<u>31,964</u>	<u>24,219</u>
<b>Fund Cash Balances, December 31</b>	<b><u>(\$2,463)</u></b>	<b><u>\$43,004</u></b>	<b><u>\$40,541</u></b>

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

**VILLAGE OF MIDLAND  
CLINTON 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**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$6,054	\$2,893	\$8,947
Intergovernmental Receipts	13,138	17,946	31,084
Charges for Services	17,908		17,908
Earnings on Investments		258	258
Miscellaneous	6,866	80	6,946
 Total Cash Receipts	 43,966	 21,177	 65,143
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property		16	16
Public Health Services	52		52
Basic Utility Services	12,946		12,946
Transportation		12,074	12,074
General Government	27,363		27,363
 Total Cash Disbursements	 40,361	 12,090	 52,451
 Total Receipts Over Disbursements	 3,605	 9,087	 12,692
<b>Other Financing Receipts:</b>			
Prior Years' Outstanding Checks Re-entered	2,106	0	2,106
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	 5,711	 9,087	 14,798
 Fund Cash Balances, January 1	 (13,456)	 22,877	 9,421
 <b>Fund Cash Balances, December 31</b>	 <b>(\$7,745)</b>	 <b>\$31,964</b>	 <b>\$24,219</b>

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

**VILLAGE OF MIDLAND  
CLINTON 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 Midland, Clinton County, Ohio (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 street and highway maintenance, security of persons and property, and trash pickup.

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. The Village does not use the encumbrance method of accounting, therefore budgetary presentations reflect actual disbursements made during the year rather than disbursements plus encumbrances.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash Deposits**

Village fund are pooled in a checking account with a local commercial bank. Interest earned is recognized and recorded when received.

**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 Funds**

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 motor vehicle license tax and gasoline tax money to pay for constructing, maintaining and repairing Village streets.

*State Highway Fund* - This fund receives motor vehicle license tax and gasoline tax money to pay for maintenance of the state highways in the Village.

**VILLAGE OF MIDLAND  
CLINTON COUNTY**

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

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

*Police Levy Fund* - This fund receives property tax money to provide police protection to the residents of the Village.

*Permissive Motor Vehicle License Tax Fund* - This fund receives proceeds from the tax levied by the Village on all motor vehicle license sold to Village residents for street maintenance and repairs.

**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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber purchase commitments as required by Ohio law. However, there were no material outstanding encumbrances at December 1, 2003 and 2002.

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.

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

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

**VILLAGE OF MIDLAND  
CLINTON COUNTY**

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

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

	2003	2002
Demand deposits	\$40,541	\$24,219

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**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	\$42,541	\$45,488	\$2,947
Special Revenue	20,630	17,703	(2,927)
Total	\$63,171	\$63,191	\$20

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$31,850	\$40,206	(\$8,356)
Special Revenue	41,900	6,663	35,237
Total	\$73,750	\$46,869	\$26,881

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,416	\$46,072	\$26,656
Special Revenue	14,828	21,177	6,349
Total	\$34,244	\$67,249	\$33,005

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,000	\$40,361	(\$32,361)
Special Revenue	36,730	12,090	24,640
Total	\$44,730	\$52,451	(\$7,721)

**VILLAGE OF MIDLAND  
CLINTON COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

The Village did not obtain the certification of the fiscal officer to certify the availability of funds for all purchase commitments as required by Ohio law.

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General Fund by \$32,361 for the year ended December 31, 2003 and by \$8,356 for the year ended December 31, 2002.

Also contrary to Ohio law, at December 31, 2003 and 2002, the General Fund had a cash deficit balance of \$2,464 and \$7,745, respectively. At December 31, 2003 and 2002, the State Highway Fund had a cash deficit balance of \$4,893 and \$5,954, respectively. The Police Levy Fund also had a cash deficit balance of \$316 at December 31, 2003.

**4. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$4,500	0.00%

The Village received a loan from the Ohio Water Development Authority (OWDA) for \$20,000 in November 1995. The loan was issued to assist the Village in constructing additional sewer lines for residents of the Village.

Amortization of the above debt is scheduled as follows:

	OWDA Loan
Year ending December 31:	
2004	\$1,500
2005	1,500
2006	1,500
Total	\$4,500

**5. 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.

**VILLAGE OF MIDLAND  
CLINTON COUNTY**

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

**6. RETIREMENT SYSTEMS**

Some of the Village's officials contribute to Social Security. Contribution rates for 2003 and 2002 were 6.2% for employee and employer.

The remainder of the Village's elected officials and part time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2003 and 2002, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**7. RISK MANAGEMENT**

Commercial Insurance

The Village has obtained commercial insurance for the risks of comprehensive property general liability.

**8. FINANCIAL DIFFICULTIES**

The Village is experiencing financial difficulties. As of December 31, 2003, the General Fund had a deficit fund balance of \$2,464, the State Highway Fund had a deficit fund balance of \$4,893, and the Police Levy Fund had a deficit fund balance of \$316. These negative cash fund balances were covered by the cash balances in the Special Revenue Fund Street Construction, Maintenance, and Repair.

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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 Midland  
Clinton County  
111 South Broadway  
Midland, Ohio 45148

To the Village Council:

We have audited the accompanying financial statements of the Village of Midland, Clinton County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 15, 2005, wherein we noted the Village was experiencing certain financial difficulties. 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 2003-001 through 2003-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 15, 2005.

#### **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 2003-001, 2003-003, and 2003-008 through 2003-013.

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, we believe the reportable conditions described above as items 2003-009 and 2003-013 are 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 February 15, 2005.

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

February 15, 2005

VILLAGE OF MIDLAND  
CLINTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

**Noncompliance Citation / Reportable Condition**

Ohio Rev. Code, 117.38, requires each public office to file an annual financial report made in accordance with forms prescribed by the Auditor of State within sixty days after the close of the fiscal year. The Village did not file the 2003 report within the required sixty days. The 2003 annual financial report had not been filed as of August 2, 2004.

The Village copies of the 2002 and 2003 annual financial reports presented for audit were not properly completed as follows:

- The beginning and ending fund balances were not presented for any fund on the Combined or on the Combining Statements.
- The total receipts and disbursement reported did not agree with the cash book year to date totals for most of the funds.
- The Total column of the Combined Statement was not completed.
- The Total Special Revenue Funds column of the Combining Statement was not completed, and when we made totals, we found that some of these totals were not the numbers that carried forward to the Combined Statement.
- The Comparison of Budgeted and Actual Receipts was not completed on the 2003 annual report.
- The Comparison of Disbursements and Encumbrances With Expenditure Authority were not completed.
- The Debt Schedules were not completed.

If the annual financial reports are not completely and accurately presented, the reports can not be relied upon by management or others using these reports. The statements and columns of the report that are applicable to the Village should be completed and someone should review the reports to check that they are properly completed before they are filed with the Auditor of State. The reports should be filed within sixty days after the close of the fiscal year. The Village should maintain proof of mailing of the report by the required date.

FINDING NUMBER 2003-002

**Noncompliance Citation**

Ohio Rev. Code, Sections 121.22 and 731.20, require that full and accurate records of proceedings of public records be maintained. In several places the minute records included the comment that the tape was inaudible, inferring that the information could not be recorded in the minute records. The December 2003 minutes stated that there were no minutes recorded for the meeting of November 2003 because of tape failure.

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

There were no minutes recorded for two special meetings. The February 12, 2002 minutes stated that a special meeting was to be held February 18, 2002 to pass a resolution for a tax levy, but there were no minutes recorded for this meeting. The May 14, 2002 minutes state that a special meeting was to be held to discuss employee hours, but there were no minutes recorded for the special meeting. Payroll records show that the Council members were paid for these special meetings.

Council minutes often referred to Zoning Board meetings, but there were no Zoning Board minutes presented for audit.

**FINDING NUMBER 2003-003**

**Noncompliance Citation / Reportable Condition**

Ohio Rev. Code, Section 733.28, state that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all monies received and expended of all property owned by the Village and income derived.

Although the Village Clerk did maintain accounting records, the accounting records contained many posting errors, were not reconciled (to each other), and lacked accurate month-to-date and year-to-date totals. Failure to maintain complete and accurate accounting records increases the likelihood the monies will be misappropriated and not detected. It also resulted in inaccurate financial statements which reduces management's ability to make informed decisions.

The Fiscal Officer should balance the books to each other monthly to assure that all transactions are properly recorded and that the accounting records reconcile with each other.

**FINDING NUMBER 2003-004**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, provides that money paid into a fund must be used only for the purposes for which such fund was established. The General Fund had a negative fund balance from September 2000 through December 31, 2003. The State Highway Fund had a negative balance from January 2000 through December 31, 2003. The Police Levy Fund had a negative balance at December 31, 2003. The fund balances in the General, State Highway, and Police Funds at December 31, 2003 were (\$2,464), (\$4,893), and (\$316), respectively. The fund balances in the General and State Highway funds at December 31, 2002 were (\$7,745) and (\$5,954), respectively. These deficit balances indicate money from other funds was used to cover the expenditures of these funds, contrary to law.

**FINDING NUMBER 2003-005**

**Noncompliance Citation**

Ohio Rev. Code, Section 4501.04, provides that auto registration fees distributed by the County Auditor per Ohio Rev. Code Section 4501.03 be paid into the municipal treasury to be used for municipal streets. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

Ohio Rev. Code, Section 5735.28, provides that whenever a municipal corporation is on the line of a state highway, that seven and one-half percent of the amount paid to a municipal corporation pursuant to sections 4501.04 of the Revised Code be credited to the State Highway Fund for maintenance of the state highways within the corporation. The fund established by the Village for these receipts and expenditures is the State Highway Fund.

**FINDING NUMBER 2003-005  
 (Continued)**

According to above laws, the monthly distributions from the County designated as "MV Reg Fees" must be posted to the Village funds at the rate of ninety two and one half percent (92 ½%) to the Street Construction, Maintenance, and Repair Fund and seven and one half percent (7 ½%) to the State Highway Fund. The Village improperly posted the auto registration fees to the Permissive Motor Vehicle License Tax Fund.

Adjustments were posted to the Village financial ledgers and financial statements to distribute these receipts to the proper funds.

**FINDING NUMBER 2003-006**

**Noncompliance Citation**

Ohio Rev. Code, Section 5735.23, provides that gasoline excise tax distributed from the State and Local Government Highway Distribution Fund pursuant to Ohio Rev. Code, Section 5735.27 (A) (1), be used pursuant to that section. Ohio Rev. Code, Section 5735.27, provides that gasoline excise tax distributed from the Gasoline Excise tax Fund be used for municipal street expenditures. The fund established by the Village for these receipts and expenditures is the Street Construction, Maintenance, and Repair Fund.

Ohio Rev. Code, Section 5735.28, provides that whenever a municipal corporation is on the line of a state highway that seven and one-half percent of the amount paid to a municipal corporation pursuant to sections 5735.23 and 5735.27 of the Revised Code be credited to the State Highway Fund for maintenance of the state highways within the corporation. The fund established by the Village for these receipts and expenditures is the State Highway Fund.

According to the above laws, the monthly distributions from the State designated as "Gasoline Tax to Municipalities" and "Gasoline Cents Per Gallon" must be posted to the Village funds at the rate of ninety two and one half percent (92 ½%) to the Street Construction, Maintenance, and Repair Fund and seven and one half percent (7 ½%) to the State Highway Fund. The Village did not post these receipts to these funds in the proper percentages for January through July of 2002 or in November and December of 2003.

Adjustments were posted to the Village financial ledgers and financial statements to distribute these receipts in the proper percentages.

**FINDING NUMBER 2003-007**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41 (B), provides that no subdivision shall expend money unless it has been appropriated. Disbursements exceeded appropriations as follows for 2002.

Fund	Appropriation	Disbursement	Variance
General Fund	\$ 8,000	\$ 40,361	\$ 32,361

Disbursements exceeded appropriations as follows for 2003.

Fund	Appropriation	Disbursement	Variance
General Fund	\$ 31,850	\$ 40,206	\$ 8,356
Police Levy Fund	2,300	2,430	130
Zoning Fund	0	6	6

**FINDING NUMBER 2003-007  
(Continued)**

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if estimated resources are available.

**FINDING NUMBER 2003-008**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code, 5705.41(D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This section also provides two “exceptions” to the above requirements:

- A. 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 the fiscal officer is completing the 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.
- B. Amounts of less than \$1,000 (\$3,000 effective 4/7/03) 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.

The Village did not obtain the prior certification for any expenditure during 2002 or 2003. The fiscal officer's certificate was signed at the time of payment.

The Clerk's certification is not only required by Ohio law, but is also a key control in the disbursements process. Failure to obtain proper certification of funds resulted in disbursements being made without adequate current resources being available. Prior certification should be obtained for all disbursements. In instances when prior certification are not practical, “then and now certification should be made

When prior certification is obtained, the encumbrance should be posted in the appropriation ledger and the unencumbered appropriation balance reduced.

### **FINDING NUMBER 2003-009**

#### **Material Weakness**

The Village did not maintain an accurate detailed accounting system for trash receipts. Duplicate receipts issued by the Village did not match the corresponding bank deposits, pay-ins and postings to the Village cash book. Bank deposits were made on the average of one or two times a week.

A subsidiary ledger should be maintained to account for daily trash receipts. This ledger should include the customer's name, amount paid, date paid, and the receipt number. The ledger should be totaled daily. Daily collections should be counted, agreed with the ledger total and duplicate receipts written, deposited in the Village bank depository, and a pay-in to the Village prepared. Monthly and year to date totals should be made and checked with the postings made in the Village cash journal. Establishing this subsidiary ledger for trash collection receipts would lessen the risk that errors or theft could occur and remain undetected.

During the majority of 2003, the Village paid Waste Management for trash service for 108 residents, as recorded on customer account cards. However, the Village billing records indicated that the Village only billed an average of 92 residents for trash service. The Village should monitor the number of customers monthly to assure the Village is not paying for more trash pickups than are necessary.

The Village accounts receivable balances for trash collections are not accurate. The list of outstanding account balances at December 31, 2003 provided for audit showed a total of \$9,323.07. We calculated the outstanding account balance to be approximately \$16,200 based on outstanding balances from prior audits and billings and payments during 2002 and 2003. We determined that the outstanding accounts list presented for audit did not include many customers that had moved and had outstanding balances from prior years. The Village and its legal counsel have attempted to collect some past due accounts and have established a policy effective January 1, 2004 to cut off service if bills are not paid within 6 months. We recommend that the Village review the old account cards for customers who have moved in the past few years that still have large outstanding balances, and include them on the outstanding account balance list for collection. Once collection efforts fail, BPA and Council should contact Village Solicitor and approve writing off uncollectible accounts. Collecting the amounts owed to the Village would aid in decreasing the negative fund balance in the General Fund.

### **FINDING NUMBER 2003-010**

#### **Reportable Condition**

The first half 2002 personal property tax settlement, the second half 2003 manufactured home tax settlement, and the first and second half 2002 homestead and rollback distributions were not distributed to the General Fund and Police Levy Funds in the proper amounts as shown on the apportionment sheets.

Other tax settlements were found to have been posted to the proper funds, but the amounts posted were not correct. Some tax settlements were posted at the net amount of the distribution check which understated receipts and disbursements. Others were posted at the total tax assessment amount prior to homestead and rollback deductions, which overstated receipts and disbursements.

The amounts shown on the "Total Distributions" line of the apportionment sheet should be posted as receipts, and the amounts shown on the "Deductions" lines should be posted as expenditures to the fund indicated on the apportionment sheet. Failure to maintain accurate accounting records resulted in inaccurate financial statements and management cannot make informed decisions based on inaccurate information.

**FINDING NUMBER 2003-010  
(Continued)**

Adjustments were posted to properly distribute taxes to the General Fund and Police Levy Fund. Adjustments were also made on the accompanying financial statements to present the tax receipts and related expenditures in the proper amounts.

**FINDING NUMBER 2003-011**

**Reportable Condition**

The documentation for the expenditure of public funds was not attached to vouchers. In 2002 the vouchers were maintained in one file and the paid bills were attached to the purchase order and filed in another file. No voucher file was presented for audit for the year 2003. Documentation for some expenditures were not found in the "paid bills" file, but we were able to verify these expenditures through additional auditing procedures.

The original itemized bill and purchase order should be attached a voucher, reviewed and approved by Council prior to payment, and filed in numerical check order. Failure to attach bills to the voucher increases the risk that improper expenditures could be made.

**FINDING NUMBER 2003-012**

**Reportable Condition**

The Village paid approximately \$130 in fines, penalties, and late fees to the IRS for failure to file reports and make payments on a timely basis. The Village also paid over \$2,000 to the State for a computerized UAN accounting system that the Village had contracted for but was not being utilized. These unnecessary expenditures divert the funds from needed Village services. Village Officials should carefully monitor the expenditure of public funds to assure they are being made for necessary services.

**FINDING NUMBER 2003-013**

**Material Weakness**

The Village Officials have not properly followed Ohio laws related to budgetary requirements, record keeping, minutes and accounting as reflected in the current and prior audits. This noncompliance appears to be caused by a lack of knowledge and training of officials. Failure to properly follow the Ohio law creates an environment which promotes poor controls, inaccurate financial information and possible fraud or misappropriation of assets.

We strongly recommend that the Fiscal Officer training on the proper procedures to follow in recording Village records and in conducting Village business. In addition, all Village Officials should read and study the Ohio Revised Code, Ohio Administrative Code, and Ohio Village Handbook to learn the laws required to be followed to more effectively manage the Village.

**VILLAGE OF MIDLAND  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END 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; <b><i>Explain:</i></b>
2001-30414-001	Ohio Revised Code, Section 117.38 – Filing of annual financial report	No	Not Corrected - Reissued as 2003-001
2001-30414-002	Ohio Revised Code, Section 5705.10 – negative fund balances and revenue not credited to the proper fund	No	Not Corrected – Reissued as 2003-004 and 2003-010
2001-30414-003	Ohio Revised Code, Section 5735.28 – gas tax not credited to proper funds	No	Not Corrected – Reissued as 2003-006
2001-30414-004	Ohio Revised Code, Section 5705.34, 5705.36, 5705.41(B)	No	Partially Corrected – Reissued 5705.41(B) as 2003-007
2001-30414-005	Ohio Revised Code, Section 5705.41 (D) - Prior certificate	No	Not Corrected – Reissued as 2003-008
2001-30414-006	Ohio Revised Code, Section 149.351 – destruction of public records	Yes	
2001-30414-007	Ohio Revised Code, Section 733.28 – accurate records	No	Not Corrected – Reissued as 2003-003
2001-30414-008	Ohio Revised Code, Section 145.03 – PERS not withheld	Yes	
2001-30414-009	Recommendation for better trash receipt records	No	Not Corrected – Reissued as 2003-009
2001-30414-010	Recommendation for proper receipt ledger and appropriation ledger	No	Not Corrected - Reissued in 2003-003
2001-30414-011	Recommendation to perform monthly bank reconciliations	Yes	
2001-30414-012	Recommendations concerning records and documentation for expenditures	No	Not Corrected – Reissued as 2003-011
2001-30414-013	Recommendation concerning tax liabilities, penalties, and interest	No	Not Corrected – Reissued as 2003-012





**Auditor of State  
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**VILLAGE OF MIDLAND**

**CLINTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 29, 2005**