

Village of Middleport

Meigs County, Ohio

Regular Audit

For the Year Ended December 31, 2004

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Village Council
Village of Middleport
237 Race Street
Middleport, OH 45760

We have reviewed the *Independent Auditors' Report* of the Village of Middleport, Meigs County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 12, 2006

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Village of Middleport, Ohio
For the Year Ended December 31, 2004
Table of Contents

Title	Page
Independent Auditors' Report	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2004.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances –Proprietary and Similar Fiduciary Fund Types – For the Year Ended December 31, 2004.....	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance With <i>Government Auditing Standards</i>	13
Schedule of Findings	14
Schedule of Prior Audit Findings	17

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of Village of Middleport, Meigs County, (the Village) for the year ended December 31, 2004. 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 reasonably assure 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 described in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of the proprietary funds for the year then ended.

Village of Middleport
Meigs County
Independent Auditors' Report
Page 2

Also, 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 of Middleport, Meigs County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion & Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2006, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2006

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Type</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$273,816	\$ 78,064	\$ 351,880
Intergovernmental	113,627	73,632	187,259
Charges for Services	40,157	136,777	176,934
Licenses, Permits, and Fees	44,732	516	45,248
Earnings on Investments	2,025	-	2,025
Other Revenue	10,358	2,992	13,350
	<u>484,715</u>	<u>291,981</u>	<u>776,696</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons & Property	292,536	26,119	318,655
Basic Utility Services	-	109,050	109,050
Transportation	-	85,062	85,062
General Government	192,372	42	192,414
Debt Service:			
Redemption of Principal	53,000	53,971	106,971
Interest and Fiscal Charges	3,712	13,319	17,031
	<u>541,620</u>	<u>287,563</u>	<u>829,183</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(56,905)</u>	<u>4,418</u>	<u>(52,487)</u>
Other Financing Receipts and (Disbursements):			
Sale of Notes	31,496	-	31,496
Sale of Fixed Assets	21,504	-	21,504
Transfers-In	-	9,180	9,180
Transfers-Out	(16,042)	-	(16,042)
Total Other Financing Receipts/(Disbursements)	<u>36,958</u>	<u>9,180</u>	<u>46,138</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,947)	13,598	(6,349)
Fund Cash Balances, January 1	<u>51,488</u>	<u>121,613</u>	<u>173,101</u>
Fund Cash Balances, December 31	<u>\$ 31,541</u>	<u>\$ 135,211</u>	<u>\$ 166,752</u>
Reserve for Encumbrances, December 31	<u>\$ 5,615</u>	<u>\$ 8,389</u>	<u>\$ 14,004</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Operating Cash Receipts:				
Charges for Services	\$ 571,540	\$ -	\$ -	571,540
Earnings on Investments	-	1,677	-	1,677
Miscellaneous	21,879	-	-	21,879
	<u>593,419</u>	<u>1,677</u>	<u>-</u>	<u>595,096</u>
Total Operating Cash Receipts				
Operating Cash Disbursements:				
Personal Services	153,395	-	-	153,395
Employee Fringe Benefits	62,480	-	-	62,480
Contractual Services	69,613	-	-	69,613
Supplies and Materials	59,954	-	-	59,954
Other	7,397	-	-	7,397
Capital Outlay	86,250	-	-	86,250
	<u>439,089</u>	<u>-</u>	<u>-</u>	<u>439,089</u>
Total Operating Cash Disbursements				
Operating Income/(Loss)	<u>154,330</u>	<u>1,677</u>	<u>-</u>	<u>156,007</u>
Non-Operating Receipts/(Disbursements):				
Intergovernmental	55,471	-	-	55,471
Proceeds of Loans	30,779	-	-	30,779
Earnings on Investments	327	-	-	327
Other Non-Operating Receipts	42,301	-	39,415	81,716
Redemption of Principal	(38,002)	-	-	(38,002)
Interest and Other Fiscal Charges	(23,637)	-	-	(23,637)
Other Non-Operating Disbursements	-	-	(39,112)	(39,112)
	<u>67,239</u>	<u>-</u>	<u>303</u>	<u>67,542</u>
Total Non-Operating Cash Receipts/(Disbursements)				
Income/(Loss) Before Interfund Transfers	221,569	1,677	303	223,549
Transfers - In	<u>6,862</u>	<u>-</u>	<u>-</u>	<u>6,862</u>
Net Receipts Over/(Under) Disbursements	228,431	1,677	303	230,411
Fund Cash Balances, January 1 (Restated - See Note 9)	<u>299,723</u>	<u>87,720</u>	<u>4,501</u>	<u>391,944</u>
Fund Cash Balances, December 31	<u>\$ 528,154</u>	<u>\$ 89,397</u>	<u>\$ 4,804</u>	<u>\$ 622,355</u>
Reserve for Encumbrances, December 31	<u>\$ 6,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,764</u>

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Village of Middleport, Meigs County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term and votes only to break a tie.

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

B. Primary Government

The primary government consists of all funds, departments, and boards that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village has 3 fire levies that support a volunteer fire department.

C. 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.

D. 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.

During 2004, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

E. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Village classifies its funds into the following types:

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Fund Accounting (continued)

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 Type

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.

Fire Truck Fund- This fund receives tax levies and intergovernmental revenues to fund the debt incurred to purchase a fire truck.

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. Enterprise Fund Type

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 Operating Fund- This fund receives charges for services from residents to cover the costs of providing this utility.

Sewer Operating Fund- This fund receives charges for services from residents to cover the cost of providing this utility.

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

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Fund Accounting (continued)

Swimming Pool Fund- This fund receives entry fees, donations and concession stand revenues to cover the cost of providing this leisure time activity.

4. Fiduciary Fund Type (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.

F. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

1. Appropriations

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds. 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. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 1 – Summary of Significant Accounting Policies (continued)

E. Fund Accounting (continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances lapse at year end. The Village did not encumber all commitments as required by Ohio law.

A summary of 2004 budgetary activity appears in Note 4.

H. 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 financial statements.

I. 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.

Note 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:

	2004
Demand deposits	\$694,204
Certificates of deposit	94,903
Total deposits	<u>\$789,107</u>

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

Note 3 – Income Taxes

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

Income tax collections for the year ended December 31, 2004 was \$206,582.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 4- Budgetary Activity

Budgetary for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$495,658	\$537,715	\$42,057
Special Revenue	321,283	301,161	(20,122)
Enterprise	616,833	722,297	105,464
Nonexpendable Trust	0	1,677	1,677
Total	\$1,433,774	\$1,562,850	\$129,076

2004 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$536,238	563,277	(\$27,039)
Special Revenue	372,190	295,952	76,238
Enterprise	890,504	507,492	383,012
Nonexpendable Trust	0	0	0
Total	1,798,932	1,366,721	\$432,211

Contrary to Ohio law, estimated receipts exceeded actual receipts in several funds. Contrary to Ohio law, appropriations exceeded estimated revenues in several funds. Also, contrary to Ohio Law, expenditures exceeded appropriations in the several funds.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 5 – Property Taxes (continued)

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Note 6 – Debt

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Bonds	\$ 60,000	5.25%
Ohio Public Works Commission	226,263	2.00%
Ohio Water Development Loan # 1749	107,181	8.90%
Ohio Water Development Loan # 3429	385,351	2.00%
Ohio Water Development Loan # 3385	412,652	6.03%
General Obligation Notes (Fire Truck)	70,000	5.00%
Fire Truck Loan	123,273	5.75%
Capital Lease – Chipper	13,045	5.10%
Mark V Demolition Note	47,000	5.25%
Promissory Note	<u>31,496</u>	5.00%
Total	<u>\$1,476,261</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) Loan # 1749 relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$8,372, including interest, over 25 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) Loan # 3429 relates to a sewer lift system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$13,249.48, including interest, over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Note was 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 note 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
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 6 – Debt (continued)

The Water Mortgage Revenue Bonds were issued in 1967 for waterworks facilities improvements. The balance outstanding at December 31, 2003 was \$60,000. The trust agreement required the Village to establish a debt service fund to be maintained by a custodian bank. The Village had established this fund. At December 31, 2004, the custodian held \$59,578 in assets. These assets and the related activity of the trust account are not reflected in the accompanying financial statements. Due to an accumulated excess in the debt service fund, no debt service payments were required of the Village in 2004. The escrow agent (U.S. Bank) refunded the Village \$42,301 of excess trust account funds on June 14, 2004, which was receipted into the Water Operating Fund.

The Fire Truck Loan was issued in 2000 to purchase a new fire truck. The loan will be repaid in annual installments of \$21,002, 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 \$5,722, 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 were used to demolish an old abandoned building which was a health and safety threat within the Village.

The promissory note was issued on October 9, 2004 to refinance a line of credit for the amount of \$31,496. The line of credit was used for operating purposes.

The Village has an open loan (#3385) with the Ohio Water Development Authority (OWDA). This loan is for the design of water system improvements. The balance of disbursed funds at December 31, 2004 was \$412,652. The first principal payment is schedule for January 2006. The loan was not closed as of December 31, 2004, therefore no amortization is available.

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

Year ending	Water		OWDA	OWDA	General		Capital	Mark V	
	Revenue	OPWC	Loan	Loan	Obligation	Fire Truck	Lease	Demolition	Promissory
	Bonds	Loan	#1749	#3429	(Fire Truck)	Loan	Chipper	Note	Note
December 31:									
2005	\$23,150	\$16,713	\$16,743	\$21,557	\$38,500	\$21,002	\$5,722	\$3,263	\$32,372
2006	22,100	16,713	16,743	26,499	36,750	24,515	3,070	17,828	
2007	21,050	16,713	16,743	26,499		23,467	2,935	17,019	
2008		16,713	16,743	26,499		22,418	2,799	16,210	
2009		16,713	16,743	26,499		21,370			
2010-2014		83,565	66,972	132,495		39,597			
2015-2019		83,565		132,495					
Thereafter		33,426		52,998					
	<u>\$66,300</u>	<u>\$284,121</u>	<u>\$150,687</u>	<u>\$445,541</u>	<u>\$75,250</u>	<u>\$152,369</u>	<u>\$14,526</u>	<u>\$54,320</u>	<u>\$32,372</u>

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Note 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 Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participate as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

Note 8 – Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated tax exempt non-profit organization, governed by its member municipalities. The Pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

Note 9 – Fund Balance Restatements

The Water Improvement and Sewer Improvement funds were reclassified from capital project funds to enterprise funds as of January 1, 2004. This resulted in the following fund balance restatements:

	<u>Water Improvement Capital Projects</u>	<u>Sewer Improvement Capital Projects</u>	<u>Enterprise Funds</u>
Balance 12/31/03	\$173,156	\$585	\$125,982
Fund Reclassification	(173,156)	(585)	173,741
Balance 01/01/04	<u>\$0</u>	<u>\$0</u>	<u>\$299,723</u>

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

To the Village Council:

We have audited the financial statements of Village of Middleport, Meigs County, Ohio (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 14, 2006 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

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 an opinion 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 initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and responses as item 2004-005.

A material weakness is a reportable 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 caused by error or fraud 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. We believe that reportable condition described above is a material weakness.

Compliance and Other Matters

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 grant agreements, 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 2004-001 through 2004-004.

We also noted certain matters that we reported to management of the Village in a separate letter dated August 14, 2006.

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.


Balestra, Harr & Scherer, CPAs, Inc.
August 14, 2006

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING 2004-001

Noncompliance Citation

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is 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 exceeded Estimated Resources in the following funds during 2004:

Fire Truck Fund	(\$229)
Refuse Fund	(\$15,000)
Water Improvement Fund	(\$5,720)
Sewer Improvement Fund	(\$55,665)
Sewer Operating Fund	(\$1,991)
Swimming Pool Fund	(\$13,902)
Cemetery Operating Fund	(\$4,291)

The Village Council should approve appropriations based upon their Certificate of Estimated Resources.

FINDING 2004-002

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

Estimated revenues exceeded actual receipts in the following funds which reduced the available resources below the level of appropriations.

Street Construction and Repair fund	\$1,799
Fire Equipment Fund	\$27,091
Fire Truck Fund	\$1,484
Pool Improvement Fund	\$14,000
Cemetery Operating Fund	\$2,644

Actual receipts exceeded estimated receipts in the Sewer Improvement Fund by \$56,250 and this excess revenue was appropriated and expended.

Appropriations exceeded available resources (unencumbered beginning balance plus actual receipts) in the following funds:

Fire Equipment Fund	\$526
Fire Truck Fund	\$1,713
Swimming Pool Fund	\$13,402
Cemetery Operating Fund	\$6,935

The Village Council should monitor budget versus actual activity more closely to identify when amendments should be made to the Certificate of Estimated Resources.

VILLAGE OF MIDDLEPORT
MEIGS COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

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

FINDING 2004-003

Noncompliance Citation

ORC 5705.41 (D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

The following exception to this basic requirement is 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 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 \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

70% of expenditures tested were not certified prior to the date of obligation and no then and now certificate was attached. This could lead to overspending.

The Village should certify all purchases prior to obligating funds.

FINDING 2004-004

Noncompliance Citation

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

Several of the expenditures tested during 2004 exceeded the appropriation authority at the line item (object) level.

We recommend the Village Clerk-Treasurer not certify a purchase obligation of the account to be charges does not have adequate appropriations to cover that obligation. We further recommend the official or department head authorizing such obligations first to 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
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

FINDING 2004-005

Material Weakness

The Village's books were not reconciled accurately with the bank throughout the year. This resulted in several posting errors and omissions in the accounting system.

Because of this, management was unable to determine whether their short-term and long-term decisions were financially sound.

The Village Clerk-Treasurer should perform bank reconciliations monthly and resolve all discrepancies noted in the reconciliations.

**VILLAGE OF MIDDLEPORT
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC Section 5705.39 limits appropriations to not exceed the total estimated resources.	No	Not corrected. Repeated as Finding 2004-001.
2003-002	ORC 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 which are used in making the original appropriation.	Yes	
2003-003	ORC Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.	No	Reissued as Finding 2004-004
2003-004	ORC Section 5705.41(D) states that no subdivision shall make any contract or order involving the expenditure of money unless the certificate of the fiscal officer is attached.	No	Not corrected. Repeated as Finding 2004-003.
2003-005	Finding for recovery against a Village employee, Christy Williams in the amount of \$1,300.87.	No	Not corrected. The Village has made no attempt to recover the missing funds.
2003-006	Reportable Condition - Monitoring of financial activity by the finance committee.	No	Not corrected. Reissued as a management letter comment.
2003-007	Material Weakness - Village's books were not reconciled with the bank for several months throughout the audit period.	No	Not corrected. Repeated as Finding 2004-005.
2003-008	The Village obtained a line of credit which was used for a purpose other than for which it was obtained.	No	Finding no longer valid.



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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
DECEMBER 26, 2006**