



**VILLAGE OF MIDWAY  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF MIDWAY  
MADISON COUNTY

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# Mary Taylor, CPA

Auditor of State

Village of Midway  
Madison County  
13830 Main Street SW  
P.O. Box 119  
Sedalia, Ohio 43151-0179

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 19, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Midway  
Madison County  
13830 Main Street SW  
P.O. Box 119  
Sedalia, Ohio 43151-0179

To the Village Council:

We have audited the accompanying financial statements of Village of Midway, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 our audit provides a reasonable basis for our opinion.

As described more fully 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 GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Midway, Madison County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and 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 March 19, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That 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.



**Mary Taylor, CPA**  
Auditor of State

March 19, 2007

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 5,798	\$ -	\$ 5,798
Intergovernmental Receipts	40,405	9,437	49,842
Earnings on Investments	553	1,661	2,214
Miscellaneous	1,184	-	1,184
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,940	11,098	59,038
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Leisure Time Activities	36,185	-	36,185
Basic Utility Services	4,745	-	4,745
Transportation	3,970	6,855	10,825
General Government	21,473	-	21,473
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	66,373	6,855	73,228
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(18,433)	4,243	(14,190)
Fund Cash Balance, January 1	56,626	26,277	82,903
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31</b>	<u>\$ 38,193</u>	<u>\$ 30,520</u>	<u>\$ 68,713</u>

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

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 5,433	\$ -	\$ 5,433
Intergovernmental Receipts	40,405	10,346	50,751
Earnings on Investments	1,312	-	1,312
Miscellaneous	596	-	596
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,746	10,346	58,092
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Leisure Time Activities	3,451	-	3,451
Basic Utility Services	4,187	-	4,187
Transportation	-	51,199	51,199
General Government	23,658	-	23,658
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	31,296	51,199	82,495
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	16,450	(40,853)	(24,403)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	-	40,000	40,000
Transfers-Out	(40,000)	-	(40,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(40,000)	40,000	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(23,550)	(853)	(24,403)
	<hr/>	<hr/>	<hr/>
Fund Cash Balance, January 1	80,176	27,130	107,306
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance, December 31</b>	<u>\$ 56,626</u>	<u>\$ 26,277</u>	<u>\$ 82,903</u>

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

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midway, Madison County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services and park operations (leisure time activities). Range Township Fire Department provides fire protection services. Sterling Joint Ambulance District provides emergency medical services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. This basis reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

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

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Permissive Motor Vehicle License Tax – This fund receives permissive vehicle license tax for maintaining and repairing Village streets.

**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 level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting during 2005 and did not encumber all commitments required by Ohio law in 2006.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

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

	2006	2005
Demand Deposits	\$10,543	\$24,733
Certificates of Deposit	58,170	58,170
Total deposits	\$68,713	\$82,903

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,000	\$47,940	\$2,940
Special Revenue	10,200	11,098	898
Total	\$55,200	\$59,038	\$3,838

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,200	\$66,373	\$50,827
Special Revenue	28,000	6,855	21,145
Total	\$145,200	\$73,228	\$71,972

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,224	\$47,746	(\$2,478)
Special Revenue	11,550	50,346	38,796
Total	\$61,774	\$98,092	\$36,318

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,000	\$71,296	\$27,704
Special Revenue	52,450	51,199	1,251
Total	\$151,450	\$122,495	\$28,955

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

In 2005, expenditures exceeded appropriations in the Permissive Motor Vehicle License Tax Fund by \$8,900.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. RETIREMENT SYSTEMS**

The Village Council voted not to participate in OPERS for 2006 or 2005. Elected officials did not have social security withheld during 2006 or 2005.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Midway  
Madison County  
13830 Main Street SW  
P.O. Box 119  
Sedalia, Ohio 43151-0179

To the Village Council:

We have audited the financial statements of the Village of Midway, Madison County, Ohio, (the Village) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated March 19, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe Finding 2006-004 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated March 19, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001, 2006-002, 2006-003 and 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 19, 2007.

We intend this report solely for the information and use of management, and the Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 19, 2007

VILLAGE OF MIDWAY  
MADISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Certification of Expenditures

Ohio Revised Code § 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in section 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any on particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not use the encumbrance method of accounting in 2005. In 2006, eighty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF MIDWAY  
MADISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006  
(Continued)

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

FINDING NUMBER 2006-001 (Continued)

**Certification of Expenditures (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Auditor certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

**NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY**

**Contracts**

**Ohio Rev. Code 731.14** states that all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. When any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the village. The bids shall be opened and shall be publicly read by the clerk of the village or a person designated by the clerk at the time, date, and place specified in the advertisement to bidders or specifications. The time, date, and place of bid openings may be extended to a later date by the legislative authority of the village, provided that written or oral notice of the change shall be given to all persons who have received or requested specifications no later than ninety-six hours prior to the original time and date fixed for the opening.

In 2006, the Village paid \$34,661 to D.T. Long Inc. to perform storm tile drainage work within the Village. There was no evidence that the contract was competitively bid.

We recommend that the Village bid any contracts exceeding twenty-five thousand dollars.

**Officials' Response:**

We did not receive a response from Officials to this finding.

VILLAGE OF MIDWAY  
MADISON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2006-003

**NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY**

**Expenditures exceeding appropriations**

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

In 2005, expenditures exceeded appropriations in the Permissive Motor Vehicle License Tax Fund by \$8,900.

Expenditures in excess of appropriations could lead to deficit spending.

We recommend that the Village monitor expenditures and approve all amendments to appropriations when deemed necessary.

**Officials' Response:**

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-004

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS**

**Financial Statement Presentation**

A monitoring system should be established by the Village Council to help prevent or detect material misstatements on the Village's financial statements.

The Fiscal Officer did not accurately post receipts, disbursements and encumbrances to the Village's financial statements or accounting ledgers. The following posting errors were noted:

- Intergovernmental receipts were posted as Property and Other Local Taxes, Miscellaneous, Special Assessments and Earnings on Investments receipts.
- General fund Intergovernmental receipts were inaccurately posted to Special Revenue funds.
- Reserve for Encumbrances were improperly recorded on the financial statements.
- General Government Disbursements were improperly recorded on the financial statements.

Not posting revenues, expenditures and encumbrances accurately resulted in the financial statements requiring numerous adjustments and reclassifications. The financial statements reflect all adjustments and reclassifications.

**VILLAGE OF MIDWAY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**FINDING NUMBER 2006-004 (Continued)**

**SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS (Continued)**

**Financial Statement Presentation (Continued)**

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of tax revenue, intergovernmental revenue, interest receipts, expenditures and encumbrances. Cash receipts, disbursements and encumbrances should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network descriptions and or Village Hand book. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of financial data throughout the year.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2006-005**

**NONCOMPLIANCE**

**IRS Regulations**

\* **26 U.S.C. § 3101(a)** requires an employer to withhold Social Security tax from compensation paid. The Village's Council voted not to participate in OPERS in 2006 or 2005; however they did not have any Social Security tax withheld in 2006 or 2005.

We recommend the Village withhold social security tax.

**Officials' Response:**

We did not receive a response from Officials to this finding



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MIDWAY**

**MADISON 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  
JUNE 19, 2007**