



Dave Yost • Auditor of State

VILLAGE OF MIDDLE POINT
VAN WERT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Middle Point
Van Wert County
PO Box 191
103 N. Adams St.
Middle Point, OH 45865

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Middle Point, Van Wert County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Middle Point, Van Wert County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 the Village of Middle Point adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2013, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 1, 2013

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$12,321	\$10,720	\$23,041
Municipal Income Tax	65,210		65,210
Intergovernmental	28,768	38,205	66,973
Charges for Services	4,535	100,891	105,426
Fines, Licenses and Permits	2,832		2,832
Earnings on Investments	34	3	37
Miscellaneous	3,494	2,455	5,949
Total Cash Receipts	<u>117,194</u>	<u>152,274</u>	<u>269,468</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	9,736	86,116	95,852
Public Health Services	3,560		3,560
Community Environment	12,566		12,566
Transportation		11,850	11,850
General Government	62,909	440	63,349
Capital Outlay	900	2,290	3,190
Total Cash Disbursements	<u>89,671</u>	<u>100,696</u>	<u>190,367</u>
Total Receipts Over/(Under) Disbursements	<u>27,523</u>	<u>51,578</u>	<u>79,101</u>
Other Financing Receipts/(Disbursements):			
Transfers Out	(10,000)		(10,000)
Advances In	17,500		17,500
Advances Out	(5,000)		(5,000)
Total Other Financing Receipts/(Disbursements)	<u>2,500</u>		<u>2,500</u>
Net Change in Fund Cash Balances	<u>30,023</u>	<u>51,578</u>	<u>81,601</u>
Fund Cash Balance, January 1	<u>92,725</u>	<u>120,880</u>	<u>213,605</u>
Fund Cash Balance, December 31:			
Restricted		172,458	172,458
Unassigned (Deficit)	122,748		122,748
Fund Cash Balance, December 31	<u>\$122,748</u>	<u>\$172,458</u>	<u>\$295,206</u>

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$235,878
Total Operating Cash Receipts	235,878
Operating Cash Disbursements:	
Personal Services	51,013
Employee Fringe Benefits	10,783
Contractual Services	76,756
Supplies and Materials	25,216
Total Operating Cash Disbursements	163,768
Operating Income/(Loss)	72,110
Non-Operating Receipts/Disbursements:	
Miscellaneous Receipts	2,359
Capital Outlay	(16,773)
Principal Retirement	(62,878)
Interest and Other Fiscal Charges	(7,475)
Total Non-Operating Receipts/Disbursements	(84,767)
Income (Loss) before Transfers and Advances	(12,657)
Transfers In	10,000
Advances In	5,000
Advances Out	(17,500)
Net Change in Fund Cash Balances	(15,157)
Fund Cash Balance, January 1	141,935
Fund Cash Balance, December 31	\$126,778

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$11,998	\$10,309	\$22,307
Municipal Income Tax	58,574		58,574
Intergovernmental	35,959	35,092	71,051
Charges for Services	5,130	102,781	107,911
Fines, Licenses and Permits	4,978		4,978
Earnings on Investments	3	25	28
Miscellaneous	9,036	864	9,900
Total Cash Receipts	125,678	149,071	274,749
Cash Disbursements:			
Current:			
Security of Persons and Property	8,900	88,153	97,053
Public Health Services	3,573		3,573
Community Environment	6,887		6,887
Transportation		36,532	36,532
General Government	75,846	408	76,254
Debt Service:			
Principal Retirement	4,407		4,407
Interest and Fiscal Charges	4,469		4,469
Total Cash Disbursements	104,082	125,093	229,175
Total Receipts Over/(Under) Disbursements	21,596	23,978	45,574
Fund Cash Balance, January 1	71,129	96,902	168,031
Fund Cash Balance, December 31:			
Restricted		120,880	120,880
Unassigned (Deficit)	92,725		92,725
Fund Cash Balance, December 31	\$92,725	\$120,880	\$213,605

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$238,233
Total Operating Cash Receipts	238,233
Operating Cash Disbursements:	
Personal Services	42,430
Employee Fringe Benefits	10,934
Contractual Services	45,884
Supplies and Materials	27,924
Total Operating Cash Disbursements	127,172
Operating Income/(Loss)	111,061
Non-Operating Receipts/Disbursements	
Other Debt Proceeds	18,375
Miscellaneous Receipts	312
Capital Outlay	(8,046)
Principal Retirement	(59,216)
Interest and Other Fiscal Charges	(8,668)
Total Non-Operating Receipts/Disbursements	(57,243)
Net Change in Fund Cash Balances	53,818
Fund Cash Balance, January 1	88,117
Fund Cash Balance, December 31	\$141,935

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Middle Point, Van Wert County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, streets, water and sewer utilities and fire protection.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for these entities. This organization is:

Public Entity Pool: Property & Liability Insurance

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. Deposits and Investments

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

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:

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

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund – This fund receives property tax receipts, revenue from contracts with other municipalities for which the Village provides fire protection services, and charges for services from EMS runs.

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Water Debt Fund – This fund receives charges for services from residents to cover the impending costs of the loans for the construction of a new water treatment plant.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Sewer Debt Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2012	2011
Demand deposits	\$421,984	\$355,540

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 99,175	\$134,694	\$35,519
Special Revenue	137,525	152,274	14,749
Enterprise	238,512	253,237	14,725
Total	\$475,212	\$540,205	\$64,993

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,319	\$104,671	\$3,648
Special Revenue	154,519	100,696	53,823
Enterprise	285,804	268,394	17,410
Total	\$548,642	\$473,761	\$74,881

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 22,000	\$125,678	\$103,678
Special Revenue	113,521	149,071	35,550
Enterprise	203,008	256,920	53,912
Total	\$338,529	\$531,669	\$193,140

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,357	\$104,082	\$20,275
Special Revenue	179,163	125,093	54,070
Enterprise	218,865	203,102	15,763
Total	\$522,385	\$432,277	\$90,108

The Village did not record various water receipts in the correct fund as required by Ohio Revised Code 5705.10.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (#2803)	\$237,563	2%
Ohio Water Development Authority Loan (#4604)	76,427	2%
Ohio Public Works Commission	12,400	0%
Ohio Water Development Authority Loan (#5725)	18,262	3.91%
Total	<u>\$344,652</u>	

The Ohio Water Development Authority (OWDA) loan #2803 relates to a sewer plant expansion project the Ohio Environmental Protection Agency mandated. The Village will repay the loans in semiannual installments of \$31,193, including interest, over 25 years. The loan is collateralized by the water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4604 relates to the water tower replacement project. The loan will be repaid in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has been approved to borrow \$101,747, however, as of December 31, 2012, only \$96,891 has been disbursed.

The Ohio Public Works Commission (OPWC) loan relates to the water tower replacement project. The interest free loan will be repaid in semiannual installments of \$400 over a 20 year period. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan #5725 relates to the water treatment plant replacement project. The loan will be repaid in semiannual installments over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has been approved to borrow \$24,900 and has only borrowed \$18,375 to date. The loan will be rolled into a construction loan in 2013.

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

<u>Year ending December 31:</u>	<u>OWDA Loan #2803</u>	<u>OWDA Loan #4604</u>	<u>OPWC Loan</u>	<u>OWDA Loan #5725</u>
2013	\$ 62,386	\$ 5,923	\$ 800	\$ 1,245
2014	62,386	5,923	800	1,245
2015	62,386	5,923	800	1,245
2016	62,386	5,923	800	23,618
2017		5,923	800	
2018-2022		29,614	4,000	
2023-2027		29,614	4,000	
Total	<u>\$249,544</u>	<u>\$88,843</u>	<u>\$12,400</u>	<u>\$27,353</u>

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	2012	2011
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Net Position	\$20,181,216	\$19,175,131

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$11,400.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2012	2011
\$13,289	\$17,426

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9 CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

10. SUBSEQUENT EVENTS

The Village is engaging in several capital projects commencing in 2013. One is the completion of a new water treatment plant funded through grants and loans. Another is community improvement of streets, sidewalks and sewers funded through the CDBG grant program.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Middle Point
Van Wert County
PO Box 191
103 N. Adams St.
Middle Point, Ohio 45865

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Middle Point (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 1, 2013, wherein we noted the Village adopted provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance and Governmental Fund Type Definitions* for the year ended December 31, 2011. We also noted the Village followed financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 1, 2013

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation

1. Posting of Utility Revenues

Ohio Rev Code Section 5705.10(D), requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In the Council minutes for May 9, 2011, the Council approved recording the water revenues for the month of May into the Sewer Fund due to the low balance in that fund. The Village recorded the entire \$18,231 from their May utility cash collections into only the Sewer fund instead of the using the established breakdown of 35% into Water and 65% into the Sewer fund. Also, \$961 was adjusted out of the Water fund and allocated to the Sewer fund. This resulted in the Sewer Fund revenues and fund balance being overstated by \$7,341, while the Water Fund was understated by that amount. An adjustment was made to the books of the Village in 2013 to correct these postings.

The Village should utilize the Village Handbook to provide guidance on the recording of revenue and always post the utility collections to their respective funds. In addition, the Council and/or audit committee should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

Official's Response: The Village has changed water/sewer utility software in 2012 and this system reports receipts for water and sewer separately which will help in posting receipts correctly in the future.

**VILLAGE OF MIDDLE POINT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 and 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Accuracy of Financial Reporting	Yes	
2010-02	Accountability Over Utility and Income Tax Receipts	Yes	
2010-03	Ohio Rev. Code Section 5705.10(D)	Partially	Repeated in Management Letter
2010-04	Ohio Rev. Code Section 5705.41(D)	Partially	Repeated in Management Letter
2010-05	Finding for Recovery - Fiscal Officer Pay	No	Finding is still unpaid
2010-06	Finding for Recovery – Fiscal Officer Reimbursement	No	Finding is still unpaid
2010-07	Finding for Recovery – Village Administrator Pay	Yes	Repaid under prior audit



Dave Yost • Auditor of State

VILLAGE OF MIDDLE POINT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 30, 2013**