



**VILLAGE OF NEW MIDDLETOWN
MAHONING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of New Middletown
Mahoning County
10711 Main Street
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To the Village Council:

We have audited the accompanying financial statements of the Village of New Middletown, Mahoning County, Ohio, (the Village), as of and for the years ended December 31, 1999 and December 31, 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Village of New Middletown
Mahoning County
Report of Independent Accountants
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This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 29, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$48,565	\$130,839		\$179,404
Special Assessments		9,080		9,080
Intergovernmental Receipts	42,442	112,320		154,762
Fines, Licenses, and Permits	24,355	1,003		25,358
Earnings on Investments	7,506	5,956		13,462
Miscellaneous	49,995	1,826		51,821
	<u>172,863</u>	<u>261,024</u>		<u>433,887</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	23,921	115,735		139,656
Public Health Services	4,729			4,729
Leisure Time Activities	273			273
Community Environment	2,030			2,030
Transportation		47,721		47,721
General Government	141,498	1,389		142,887
Debt Service:				
Capital Outlay	7,122	42,386		49,508
	<u>179,573</u>	<u>207,231</u>		<u>386,804</u>
Total Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(6,710)</u>	<u>53,793</u>		<u>47,083</u>
Other Financing Receipts/(Disbursements):				
Transfers-In		15,000		15,000
Advances-In	15,000	15,000		30,000
Other Financing Sources		6,730	\$26,553	33,283
Transfers-Out	(15,000)			(15,000)
Advances-Out	(15,000)	(15,000)		(30,000)
Other Financing Uses			(26,453)	(26,453)
	<u>(15,000)</u>	<u>21,730</u>	<u>100</u>	<u>6,830</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(21,710)	75,523	100	53,913
Fund Cash Balances, January 1, 1999	<u>135,792</u>	<u>131,743</u>	<u>260</u>	<u>267,795</u>
Fund Cash Balances, December 31, 1999	<u>\$114,082</u>	<u>\$207,266</u>	<u>\$360</u>	<u>\$321,708</u>
Reserves for Encumbrances, December 31, 1999	<u>\$140</u>	<u>\$623</u>	<u>\$0</u>	<u>\$763</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$47,884	\$87,341			\$135,225
Special Assessments		9,161			9,161
Intergovernmental Receipts	85,386	75,524	\$135,617		296,527
Fines, Licenses, and Permits	33,910				33,910
Earnings on Investments	2,506	4,221			6,727
Miscellaneous	63,694	2,276			65,970
Total Cash Receipts	<u>233,380</u>	<u>178,523</u>	<u>135,617</u>		<u>547,520</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	29,421	115,246			144,667
Public Health Services	4,656				4,656
Leisure Time Activities		791			791
Community Environment	2,362				2,362
Transportation		33,241			33,241
General Government	105,322	8,499			113,821
Debt Service:					
Capital Outlay	23,437	17,779	135,617		176,833
Total Disbursements	<u>165,198</u>	<u>175,556</u>	<u>135,617</u>		<u>476,371</u>
Total Receipts Over/(Under) Disbursements	<u>68,182</u>	<u>2,967</u>			<u>71,149</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		20,258			20,258
Other Financing Sources				\$32,605	32,605
Transfers-Out	(20,258)				(20,258)
Other Financing Uses				(38,077)	(38,077)
Total Other Financing Receipts/(Disbursements)	<u>(20,258)</u>	<u>20,258</u>		<u>(5,472)</u>	<u>(5,472)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>47,924</u>	<u>23,225</u>		<u>(5,472)</u>	<u>65,677</u>
Fund Cash Balances, January 1, 1998	<u>87,868</u>	<u>108,518</u>		<u>5,732</u>	<u>202,118</u>
Fund Cash Balances, December 31, 1998	<u>\$135,792</u>	<u>\$131,743</u>	<u>\$0</u>	<u>\$260</u>	<u>\$267,795</u>
Reserves for Encumbrances, December 31, 1998	<u>\$69</u>	<u>\$2,410</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,479</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of New Middletown, Mahoning County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities), street maintenance, street lighting, and police and fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

The Village maintained a general operating account and a mayor's court clearing account. The Village also maintained a sweep account which is valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Police Levy Fund - This fund receives tax money from a special levy passed by the electors to provide the Village with police services.

Fire Levy Fund - This fund receives tax money from a special levy passed by the electors to provide the Village with fire services.

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Issue II Woodland/Robinwood Improvement Fund - This fund receives money from the State of Ohio for storm sewer drainage improvements.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Court Fund - Accounts for operations of the Village Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

The Village Administrator, Secretary/Court Clerk, and Police Chief are the only employees entitled to vacation leave. Vacation time may not be accumulated - it must be used in the year granted. The Police Chief is the only employee entitled to sick leave. The Police Chief is entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

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:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ (5,837)	\$ (5,449)
Repurchase Agreements (Sweep Account)	148,007	166,616
STAR Ohio	179,538	106,628
Total investments	327,545	273,244
Total deposits and investments	\$ 321,708	\$ 267,795

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Repurchase Agreements include uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department by not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 155,673	\$ 172,863	\$ 17,190
Special Revenue	224,707	282,754	58,047
Total	\$ 380,380	\$ 455,617	\$ 75,237

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1998
(Continued)

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 288,377	\$ 194,713	\$ 93,664
Special Revenue	355,500	207,854	147,646
Total	\$ 643,877	\$ 402,567	\$ 241,310

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 212,133	\$ 233,380	\$ 21,247
Special Revenue	172,911	198,781	25,870
Capital Projects	157,850	135,617	(22,233)
Total	\$ 542,894	\$ 567,778	\$ 24,884

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 300,000	\$ 185,525	\$ 114,475
Special Revenue	290,424	177,966	112,458
Capital Projects	157,850	135,617	22,233
Total	\$ 748,274	\$ 499,108	\$ 249,166

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1999
(Continued)

5. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public employee dishonesty

The Village also provides hospital, surgical, and major medical care for the Police Chief through the Mahoning County employees group plan (currently the Community Mutual HMO-Super Med Select plan).

7. LEASE OF THE WATER UTILITY

The Village of New Middletown entered into a contract agreement with Consumers Ohio Water Company to provide water to the residents of the Village and to lease the Village's water distribution facilities for a term of 5 years, (commencing on March 1, 1997), at a rate of \$35,000 per year, as per Ordinance No. 1996-22 passed on February 10, 1997.

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

Village of New Middletown
Mahoning County
10711 Main Street
P.O. Box 463
New Middletown, Ohio 44442

To the Village Council:

We have audited the accompanying financial statements of the Village of New Middletown, Mahoning County, Ohio (the Village), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Village of New Middletown
Mahoning County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 29, 2000.

This report is intended for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 29, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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VILLAGE OF NEW MIDDLETOWN

MAHONING 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
APRIL 18, 2000**