

Village Of Middlefield, Ohio

FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Honorable Mayor and Members of Council
Village of Middlefield
Middlefield, Ohio

We have reviewed the Independent Auditor's Report of the Village of Middlefield, Geauga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 1999 to December 31, 2000. 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.

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 Middlefield is responsible for compliance with these laws and regulations.

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JIM PETRO
Auditor of State

May 30, 2001

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VILLAGE OF MIDDLEFIELD, OHIO

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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Independent Auditors' Report

Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

We have audited the accompanying financial statements of the Village of Middlefield, Ohio (the "Village"), as of and for the years ended December 31, 2000 and 1999, as listed in the Table of Contents. 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 cash basis, 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 cash and unencumbered cash balances of the Village of Middlefield as of December 31, 2000 and 1999, and the revenues it received and expenditures it paid 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 February 28, 2001 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Middlefield Village's Council, management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Ciuni & Panichi, Inc.

Cleveland, Ohio
February 28, 2001

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Receipts</u>				
Local Taxes	\$ 319,600	\$ 2,667,833	\$ -	\$ -
Intergovernmental Revenues	209,720	139,917	-	-
Charges for Services	51,952	11,688	-	-
Fines, Licenses, and Permits	39,309	615	-	-
Investment Income	264,843	-	-	-
Miscellaneous	25,870	22,272	-	5,587
Total Receipts	911,294	2,842,325	-	5,587
<u>Disbursements</u>				
Security of Persons and Property	685,735	133,222	-	-
Public Health Services	15,744	110,021	-	-
Leisure Time Activities	32,194	66,126	-	-
Community Environment	69,045	9,926	-	-
Basic Utility Services	15,089	-	-	-
Transportation	17,413	203,916	-	534
General Government	235,373	90,362	-	-
Capital Outlay	6,313	580,799	-	147,727
Debt Service:				
Principal Retirement	-	-	18,000	-
Total Disbursements	1,076,906	1,194,372	18,000	148,261
Total Receipts Over (Under)				
Disbursements	(165,612)	1,647,953	(18,000)	(142,674)
<u>Other Financing Sources (Uses)</u>				
Sale of Fixed Assets	-	1,255	-	-
Operating Transfers-In	465,000	46,353	-	893,320
Operating Transfers-Out	(226,563)	(782,000)	-	(440,000)
Total Other Financing Sources (Uses)	238,437	(734,392)	-	453,320
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	72,825	913,561	(18,000)	310,646
Beginning Fund Cash Balance	76,295	2,217,162	18,000	509,760
Ending Fund Cash Balance	\$ <u>149,120</u>	\$ <u>3,130,723</u>	\$ <u>-</u>	\$ <u>820,406</u>

The accompanying notes are an integral part of these financial statements

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
Expendable <u>Trust</u>	
\$ -	\$ 2,987,433
-	349,637
-	63,640
-	39,924
-	264,843
35	53,764
<u>35</u>	<u>3,759,241</u>
-	818,957
10	125,775
-	98,320
-	78,971
-	15,089
-	221,863
8,842	334,577
-	734,839
-	<u>18,000</u>
<u>8,852</u>	<u>2,446,391</u>
<u>(8,817)</u>	<u>1,312,850</u>
-	1,255
14,535	1,419,208
-	<u>(1,448,563)</u>
<u>14,535</u>	<u>(28,100)</u>
5,718	1,284,750
<u>53,766</u>	<u>2,874,983</u>
\$ <u><u>59,484</u></u>	\$ <u><u>4,159,733</u></u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 685,233
Miscellaneous	494
Total Operating Revenues	<u>685,727</u>
<u>Operating Expenses</u>	
Personal Services	272,639
Travel Transportation	651
Contractual Services	213,150
Supplies and Materials	65,389
Capital Outlay	<u>8,433</u>
Total Operating Expenses	<u>560,262</u>
Operating Income	125,465
<u>Non-Operating Expenses</u>	
Debt Service	<u>16,480</u>
Net Revenues Over (Under) Expenses Before Transfers	108,985
Operating Transfers – In	116,684
Operating Transfers – Out	<u>(87,329)</u>
Net Revenues Over (Under) Expenses	138,340
Beginning Fund Cash Balance	<u>1,658,338</u>
Ending Fund Cash Balance	\$ <u><u>1,796,678</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental			
General Fund	\$ 1,448,184	\$ 1,376,294	\$ (71,890)
Special Revenue Funds	2,847,850	2,889,933	42,083
Capital Project Funds	1,237,900	898,907	(338,993)
Proprietary			
Enterprise Funds	792,120	802,411	10,291
Fiduciary			
Expendable Trust Funds	<u>13,065</u>	<u>14,570</u>	<u>1,505</u>
Total (Memorandum Only)	\$ <u>6,339,119</u>	\$ <u>5,982,115</u>	\$ <u>(357,004)</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH EXPENDITURE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2000

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>2000 Appropriations</u>	<u>Total</u>
Governmental			
General Fund	\$ 50	\$ 1,357,260	\$ 1,357,310
Special Revenue Funds	195,429	4,328,025	4,523,454
Debt Service Fund	-	18,000	18,000
Capital Projects Funds	71,172	1,045,000	1,116,172
Proprietary			
Enterprise Funds	149	2,302,906	2,303,055
Fiduciary			
Expendable Trust Funds	<u>-</u>	<u>16,030</u>	<u>16,030</u>
Total (Memorandum Only)	\$ <u>266,800</u>	\$ <u>9,067,221</u>	\$ <u>9,334,021</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 2000 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/00</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 1,303,469	\$ 556	\$ 1,304,025	\$ 53,285
1,976,372	48,358	2,024,730	2,498,724
18,000	-	18,000	-
588,261	-	588,261	527,911
664,071	87,052	751,123	1,551,932
<u>8,852</u>	<u>-</u>	<u>8,852</u>	<u>7,178</u>
\$ <u><u>4,559,025</u></u>	\$ <u><u>135,966</u></u>	\$ <u><u>4,694,991</u></u>	\$ <u><u>4,639,030</u></u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Receipts</u>				
Local Taxes	\$ 278,740	\$ 2,391,880	\$ -	\$ -
Intergovernmental Revenues	137,985	184,089	-	364,334
Charges for Services	84,956	15,147	-	428
Fines, Licenses, and Permits	38,895	927	-	66,405
Investment Income	193,456	-	-	-
Miscellaneous	<u>8,375</u>	<u>13,757</u>	-	-
Total Receipts	<u>742,407</u>	<u>2,605,800</u>	<u>-</u>	<u>431,167</u>
<u>Disbursements</u>				
Security of Persons and Property	608,587	141,865	-	-
Public Health Services	14,848	107,656	-	-
Leisure Time Activities	29,584	70,166	-	-
Community Environment	84,294	6,406	-	-
Basic Utility Services	13,833	1,151	-	-
Transportation	17,872	284,714	-	-
General Government	247,325	84,306	-	-
Capital Outlay	1,946	1,207,579	-	737,491
Debt Service:				
Principal Retirement	-	-	<u>18,000</u>	-
Total Disbursements	<u>1,018,289</u>	<u>1,903,843</u>	<u>18,000</u>	<u>737,491</u>
Total Receipts Over (Under)				
Disbursements	<u>(275,882)</u>	<u>701,957</u>	<u>(18,000)</u>	<u>(306,324)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Fixed Assets	22,500	-	-	-
Operating Transfers-In	462,787	28,806	36,000	481,214
Operating Transfers-Out	(221,905)	(518,787)	-	(34,906)
Other Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,445)</u>
Total Other Financing Sources (Uses)	<u>263,382</u>	<u>(489,981)</u>	<u>36,000</u>	<u>438,863</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(12,500)	211,976	18,000	132,539
Beginning Fund Cash Balance	<u>88,795</u>	<u>2,005,186</u>	<u>-</u>	<u>377,221</u>
Ending Fund Cash Balance	\$ <u>76,295</u>	\$ <u>2,217,162</u>	\$ <u>18,000</u>	\$ <u>509,760</u>

The accompanying notes are an integral part of these financial statements

<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
\$ -	\$ 2,670,620
-	686,408
-	100,531
-	106,227
-	193,456
<u>40</u>	<u>22,172</u>
<u>40</u>	<u>3,779,414</u>
-	750,452
15	122,519
-	99,750
-	90,700
-	14,984
-	302,586
-	331,631
-	1,947,016
<u>-</u>	<u>18,000</u>
<u>15</u>	<u>3,677,638</u>
<u>25</u>	<u>101,776</u>
-	22,500
14,104	1,022,911
-	(775,598)
<u>-</u>	<u>(7,445)</u>
<u>14,104</u>	<u>262,368</u>
14,129	364,144
<u>39,637</u>	<u>2,510,839</u>
\$ <u>53,766</u>	\$ <u>2,874,983</u>

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 682,014
Miscellaneous	1,851
Total Operating Revenues	<u>683,865</u>
<u>Operating Expenses</u>	
Personal Services	250,512
Travel Transportation	892
Contractual Services	191,389
Supplies and Materials	55,880
Capital Outlay	41,782
Total Operating Expenses	<u>540,455</u>
Operating Income	143,410
<u>Non-Operating Expenses</u>	
Debt Service	<u>24,720</u>
Net Revenues Over (Under) Expenses Before Transfers	118,690
Operating Transfers – In	213,787
Operating Transfers – Out	<u>(461,100)</u>
Net Revenues Over (Under) Expenses	(128,623)
Beginning Fund Cash Balance	<u>1,786,961</u>
Ending Fund Cash Balance	\$ <u><u>1,658,338</u></u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF RECEIPTS – BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental			
General Fund	\$ 1,243,742	\$ 1,227,694	\$ (16,048)
Special Revenue Funds	2,569,393	2,634,606	65,213
Debt Service Fund	36,000	36,000	-
Capital Project Funds	987,900	912,381	(75,519)
Proprietary			
Enterprise Funds	719,500	897,652	178,152
Fiduciary			
Expendable Trust Fund	<u>13,065</u>	<u>14,144</u>	<u>1,079</u>
Total (Memorandum Only)	\$ <u>5,569,600</u>	\$ <u>5,722,477</u>	\$ <u>152,877</u>

The accompanying notes are an integral part of these financial statements

VILLAGE OF MIDDLEFIELD, OHIO

COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH EXPENDITURE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 1999

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>1999 Appropriations</u>	<u>Total</u>
Governmental			
General Fund	\$ 2,198	\$ 1,323,946	\$ 1,326,144
Special Revenue Funds	58,821	4,458,263	4,517,084
Debt Service Fund	-	18,000	18,000
Capital Projects Funds	20,349	1,282,100	1,302,449
Proprietary			
Enterprise Funds	19,944	2,178,664	2,198,608
Fiduciary			
Expendable Trust Funds	<u>-</u>	<u>12,451</u>	<u>12,451</u>
Total (Memorandum Only)	\$ <u>101,312</u>	\$ <u>9,273,424</u>	\$ <u>9,374,736</u>

The accompanying notes are an integral part of these financial statements

<u>Actual 1999 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 1,240,194	\$ 50	\$ 1,240,244	\$ 85,900
2,422,630	195,429	2,618,059	1,899,025
18,000	-	18,000	-
779,842	71,172	851,014	451,435
1,026,275	149	1,026,424	1,172,184
<u>15</u>	<u>-</u>	<u>15</u>	<u>12,436</u>
\$ <u>5,486,956</u>	\$ <u>266,800</u>	\$ <u>5,753,756</u>	\$ <u>3,620,980</u>

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, public recreation and public services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements on a 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. A general fixed asset group and long-term debt group of accounts are not recorded in the financial statements by the Village under the basis of accounting used. By virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting and to make appropriations.

C. INVESTMENTS AND INACTIVE FUNDS

Investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest is recognized and recorded when received.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

General Fund

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

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FUND ACCOUNTING (CONTINUED)

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund

To account for the accumulation of resources for, and the payment of, general long term and special assessment debt principal and interest.

Capital Projects Funds

To account for financial resources to be used for the acquisition or construction of major capital facilities.

PROPRIETARY FUNDS

Enterprise Fund

To account for the Village's water and sewer operation. It is financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Agency Funds

To account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable Trust Funds are those in which principal and income may be expended in the course of their designated operations.

E. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETARY PROCESS (CONTINUED)

2. Estimated Resources

The county budget commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budgeted receipts as shown on the accompanying financial statements do not include January 1, 2000 and 1999 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general government service are recorded as expenditures. Depreciation is not recorded for those fixed assets.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 2 - OUTSTANDING DEBT

	<u>Balance</u> <u>12/31/98</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/99</u>
Real Estate Acquisition Bonds	\$ 36,000	\$ -	\$ 18,000	\$ 18,000
Ohio Public Works Commission Loan	<u>131,838</u>	<u>-</u>	<u>24,720</u>	<u>107,118</u>
Total Debt	\$ <u>167,838</u>	\$ <u>-</u>	\$ <u>42,720</u>	\$ <u>125,118</u>

	<u>Balance</u> <u>12/31/99</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/00</u>
Real Estate Acquisition Bonds	\$ 18,000	\$ -	\$ 18,000	\$ -
Ohio Public Works Commission Loan	<u>107,118</u>	<u>-</u>	<u>16,480</u>	<u>90,638</u>
Total Debt	\$ <u>125,118</u>	\$ <u>-</u>	\$ <u>34,480</u>	\$ <u>90,638</u>

The Village purchased land in 1998 for \$54,000. An initial payment of \$18,000 was made at closing and two bonds totaling \$36,000 were issued to the owners of the property. The first payment of \$18,000 was made on June 1, 1999 and the second payment of \$18,000 was made on June 1, 2000.

The Village obtained a non-interest bearing loan for \$164,797 from the Ohio Public Works Commission to fund the Lake Avenue Water Line project. The Village is required to make semi-annual payments of \$8,240, with final payment due January 1, 2006. The second annual payment relating to 1998 was actually made during 1999; therefore, the financial statements reflect the additional expense.

NOTE 3 - PROPERTY TAX

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by state statute at 35 percent of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1996. Real property taxes are payable annually or semiannually. The first payment is due February 14, with the remainder payable by July 14.

Taxes collected on tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 3 - PROPERTY TAX (CONTINUED)

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Middlefield. The County Auditor periodically remits to the Village its portion of the taxes collected.

The full tax rate for all Village operations for the year ended December 31, 2000, was \$0.65 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

<u>Category</u>	<u>2000</u> <u>Assessed Value</u>	<u>1999</u> <u>Assessed Value</u>
Real Estate	\$ 46,916,920	\$ 37,908,530
Public Utility	2,230,700	2,423,120
Tangible Personal	<u>31,748,690</u>	<u>30,013,110</u>
Total Valuation	\$ <u>80,896,310</u>	\$ <u>70,344,760</u>

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources for a majority of the Village's individual funds are combined to form a pool of cash and investments which are stated at cost and amortized cost.

The Village may invest any monies not required to be used for a period of six months in the following classes of investments:

- Bonds, notes or other obligations guaranteed by the United States, or those for which the faith of the United States is pledged for payment of principal and interest;
- Discount notes of the Federal National Mortgage Association;
- Bonds of the State of Ohio; and
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.
- The Ohio Subdivisions Fund (STAR Ohio)

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the Village places deposits must pledge as collateral eligible securities with an aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority.

At December 31, 2000, the carrying amount of the Village's deposits was \$3,822,711 and the bank balance was \$3,776,585. At December 31, 1999, the carrying amount of the Village's deposits was \$2,934,099 and the bank balance was \$3,002,484. Of the bank balance:

1. \$276,989 and \$275,000 was covered by federal depository insurance, collateral held by the Municipality, or by collateral held by a qualified third party trustee in the name of the Village at December 31, 2000 and 1999, respectively; and
2. \$3,499,596 and \$2,727,484 was covered by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions at December 31, 2000 and 1999, respectively.

The Village's investments are detailed below and are categorized to give an indication of the level of risk assumed by the Village at year end. The Village's investments are categorized as either (1) insured or registered for which the securities are held by the government or its agent in the government's name, (2) uninsured and unregistered for which the securities are held by the broker's or dealer's trust department or agent in the government's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Village's name.

<u>Description</u>	<u>2000</u>		
	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Sweep Account	\$ 922,846	\$ 922,846	\$ 922,846
STAR Ohio	-	<u>1,210,854</u>	<u>1,210,854</u>
Total Investments	<u>\$ 922,846</u>	<u>\$ 2,133,700</u>	<u>\$ 2,133,700</u>
	<u>1999</u>		
<u>Description</u>	<u>Risk Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Sweep Account	\$ <u>1,599,222</u>	\$ <u>1,599,222</u>	\$ <u>1,599,222</u>

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Starting in 2000, the Village of Middlefield invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2000. The amounts invested with STAR Ohio are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 3.

NOTE 5 - LOCAL INCOME TAX

This locally levied tax of one percent (1%) is applied to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village of Middlefield and to earnings of non-residents (except certain transients) earned in the village. It also applies to net income of business organizations conducted within the Village of Middlefield. Tax receipts are credited to the Income Tax Special Revenue Fund and amounted to \$2,449,191 and \$2,189,652 in 2000 and 1999, respectively.

NOTE 6 - INSURANCE

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80% coinsured.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Village of Middlefield contributes to the Public Employees Retirement System of Ohio ("System"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee Retirement Board. The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The System issues a stand-alone report. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 7 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

During 1999, plan members, other than those engaged in law enforcement, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Village was required to contribute 9.35 percent. During 2000, plan members were required to contribute 8.5 percent of their annual covered salary. Contributions were authorized by state statute and the contribution rates are determined actuarially. The Retirement Board instituted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The rate rollback was 20 percent and the 2000 employer contribution rate was 10.84 percent of covered payroll, of which 4.3 percent was applied towards the health care program for retirants. The Village's contributions to the System for the years ended December 31, 2000, 1999 and 1998 were \$38,882, \$53,013, and \$46,266, respectively, equal to the required contributions for each year.

B. OHIO POLICE AND FIRE PENSION FUND

The Village of Middlefield contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers. The Village of Middlefield's contributions to OP&F for the years ending December 31, 2000, 1999, and 1998 were \$61,564, \$60,143, and \$51,746, respectively, equal required contributions for each year.

NOTE 8 - POST-EMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

PERS of Ohio provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires public employers to fund post-retirement health care through their contributions to PERS. During 1999, the employer contribution rate was 13.55 percent of covered payroll and the portion used to fund health care was 4.2 percent. For 2000, the employer contribution rate was rolled-back. The employer contribution rate was 10.84 percent of covered payroll and the portion used to fund health care was 4.3 percent.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 8 - POST-EMPLOYMENT BENEFITS (CONTINUED)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The post-retirement health care coverage is advance-funded on an actuarially determined basis. The following assumptions and calculations were based on PERS' latest actuarial review performed as of December 31, 1999: an entry age normal actuarial cost method of valuation is used in determining the present value of benefit liabilities; the difference between assumed and actual experience is part of the unfunded actuarial accrued liability; the investment assumption rate for 1999 was 7.75 percent; all investments are carried at market value; for actuarial valuation purposes, a smoothed market approach is used – meaning that assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets; individual pay increases are assumed to increase 4.75 percent compounded annually, with no change in the number of active employees; annual pay increases over and above the 4.75 percent base increase were assumed to range from 0.54 percent to 5.1 percent; and health care costs are assumed to increase 4.75 percent annually.

For 2000:

The number of active and contributing participants was 401,339. The Village's actual contributions for 2000, which were used to fund post-employment benefits, were \$25,565. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 1999, the date of the latest actuarial review, was \$10,805,500,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473,600,000 and \$1,668,100,000, respectively.

For 1999:

The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062. The Village's actual contributions for 1999, which were used to fund post-employment benefits, were \$23,814. The actual contribution and the actuarially required contribution rate are the same. The PERS of Ohio's unaudited estimated net assets available for future OPEB payments at December 31, 1999 were \$9,870,285,641. Expenditures for OPEB during 1999 were \$523,599,349.

B. OHIO POLICE AND FIRE PENSION FUND

OP&F provides post-retirement health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen whether or not the child is attending school or under the age of twenty two if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered on Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. The total police employer contribution rate is 19.5 percent of covered payroll. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 7.25 percent and 7.0 percent for 2000 and 1999, respectively. The allocation is 7.5 percent in 2001. The Ohio Revised code provides the statutory authority allowing the OP&F's Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting is on a pay-as-you-go basis. Since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

VILLAGE OF MIDDLEFIELD, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2000 AND 1999

NOTE 8 - POST-EMPLOYMENT BENEFITS (CONTINUED)

B. OHIO POLICE AND FIRE PENSION FUND (CONTINUED)

For 2000:

The number of participants eligible to receive health care benefits as of December 31, 1999, the date of the last actuarial valuation available, was 12,467 for police. The Village's actual contributions for 2000 that were used to fund post-employment benefits were \$22,889 for police. The OP&F's total health care expenses for the year ending December 31, 1999, the date of the latest actuarial valuation available, was \$95,004,633, which was net of member contributions of \$15,518,098.

For 1999:

The number of participants eligible to receive health care benefits as of December 31, 1998, the date of the last actuarial valuation available, was 11,424 for police. The Village's actual contributions for 1999 that were used to fund post-employment benefits were \$21,590 for police. The OP&F's total health care expenses for the year ending December 31, 1998, the date of the latest actuarial valuation available, were \$78,596,790, which was net of member contributions of \$5,331,515.

NOTE 9 – COMMITMENTS

During 2000, the Village of Middlefield entered into a contract with Pitt-Des Moines, Inc. for the North Thompson Avenue Elevated Water Storage Facility at a cost of \$942,000. Total estimated cost of the project is \$1,056,000. In relation to this project, the Village was approved for an interest free revolving loan from Ohio Public Works Commission (OPWC) in the amount of \$330,000, payable semi-annually for ten years. Other than an interfund transfer into the appropriate capital project fund, there was no activity in the fund during the year and work is scheduled to start for the project during 2001. At December 31, 2000, the estimated total liability of the Village for the project is \$1,056,000, \$330,000 from the OPWC loan and \$726,000 from local public revenues.

NOTE 10 – CONTINGENCIES

The Village is currently involved in a variety of litigation. It is the opinion of the Village's lawyers that the outcome of these will not have a material effect on the Village's financial position at December 31, 2000 and 1999.

NOTE 11 – COMPLIANCE

At December 31, 2000, the following fund had an excess of appropriations over estimated resources:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
COPS Universal Hiring Special Revenue Fund	\$ 34,835	\$ 39,150	\$ 4,315

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

Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

We have audited the financial statements of the Village of Middlefield, Ohio (the "Village"), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated February 28, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as Items 00-01 and 00-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 structure 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 begin 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. However, we noted other matters involving the internal control over financial reporting that we have reported to of the Village of Middlefield in a separate letter dated February 28, 2001.

Honorable Mayor and
Members of Council
Village of Middlefield, Ohio

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This report is intended for the information of the Village Council, Village Management and the Auditor of State, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Cecilia F. Panzani, M.A.

Cleveland, Ohio
February 28, 2001

VILLAGE OF MIDDLEFIELD, OHIO

SCHEDULE OF FINDINGS

DECEMBER 31, 2000 AND 1999

1. SUMMARY OF AUDITOR'S RESULTS

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material reported noncompliance at the financial statement level (GAGAS)?	Yes

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

00-01 Per ORC Section 5705.41(D) no orders or contracts involving the expenditure of money is to be made unless there is attached 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 appropriated fund free from any previous encumbrances.

During our review of expenditures, Ciuni & Panichi, Inc. noted several instances where purchase orders were not issued.

00-02 Per ORC Section 5705.39 the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become 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.

In 2000, the COPS Universal Hiring Special Revenue Fund had appropriations that were greater than the Certificate of Estimated Resources by \$4,315.

3. OTHER FINDINGS

None noted.

VILLAGE OF MIDDLEFIELD, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2000 AND 1999

There were no prior audit findings.

VILLAGE OF MIDDLEFIELD

**14860 NORTH STATE AVENUE
MIDDLEFIELD, OHIO 44062-1019
(440) 632-5248**

**RESPONSE TO FINDINGS ASSOCIATED WITH AUDIT CONDUCTED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
FOR THE YEAR ENDED DECEMBER 31, 2000 AND 1999**

Finding Number	Planned Correction Action	Anticipated Completion Date	Responsible Contact Person
00-01	The Village will monitor the encumbrance policy to ensure that purchase orders are properly issued and the Village remains in compliance with ORC Section 5705.41(D).	N/A	Carol Pulsford, Clerk-Treasurer
00-02	The Village will monitor appropriations to ensure that they do not exceed estimated resources.	N/A	Carol Pulsford, Clerk-Treasurer



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF MIDDLEFIELD

GEAUGA 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 7, 2001**