

***VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Members of Village Council
Village of Middlefield
14860 North State Avenue
Middlefield, Ohio 44062

We have reviewed the *Report of Independent Accountants* of the Village of Middlefield, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 3, 2009

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Middlefield
Geauga County
14860 N. State Street
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio, (the Village), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Village's basic financial statements 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio, as of December 31, 2008 and 2007, and the respective changes in cash basis financial position and the budgetary comparison for the General Fund and Income Tax Fund thereof for the years then ended in conformity with accounting basis Note 2 describes.

Management's discussion and analysis on pages 3 to 12 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 25, 2009

Village of Middlefield
Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2008 and 2007
(unaudited)

The discussion and analysis of the Village of Middlefield's (the Village) financial performance provides an overall review of the Village's financial activities for the years ended December 31, 2008 and 2007, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2008 and 2007 are as follows:

Overall:

- For governmental activities, net assets increased \$371,568 in 2008 and decreased \$604,571 in 2007, respectively which represents a 10 percent increase from 2007 and a 14 percent decrease from 2006, respectively.
- In 2008, general receipts accounted for \$3,846,532 in revenue or 92 percent of all governmental receipts. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$340,412 or 8 percent of total governmental revenues of \$4,288,502. In 2007, general receipts accounted for \$4,151,405 in revenue or 89 percent of all governmental receipts. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$493,384 or 11 percent of total governmental revenues of \$4,644,789.
- In 2008, the Village had \$3,792,687 in expenses related to governmental activities; only \$340,412 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$3,846,532 were adequate to provide for these programs. In 2007, the Village had \$5,246,197 in expenses related to governmental activities; only \$493,384 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$4,151,405, and carry over balances were adequate to provide for these programs.
- In 2008, among major funds, the general fund had \$854,120 in revenues and \$1,593,893 in expenditures. The general fund's fund balance increased to \$114,992 from \$79,123. In 2007, among major funds, the general fund had \$947,578 in revenues and \$1,624,205 in expenditures. The general fund's fund balance decreased to \$79,123 from \$164,144.
- In 2008, for Business-Type activities, program revenues were \$997,084. These offset expenses of \$5,646,483. In 2007, for Business-Type activities, program revenues were \$926,891. These offset expenses of \$7,247,821.

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Geauga County
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Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provides information about the activities of the whole Village, presenting an aggregate view of the Village finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. The fund financial statements also look at the Village's most significant funds with all other non-major funds presented in total in one column. In the case of the Village of Middlefield, the General Fund, Income Tax Fund, Recreation Center Construction Fund, Water Revenue Fund, Sewer Revenue Fund, New Well Capital Improvement Fund, Sewer Capital Improvement Fund and the Water Treatment Plant Improvement Fund (2008) are by far are the most significant funds.

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets and the statement of activities reflect how the Village did financially during 2008 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These two statements report the Village's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Village as a whole, the *financial position* of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Village has two kind of activities:

- Governmental Activities - Most of the Village's programs and services are reported here including, general government, security of persons and property, public health services, leisure time activities, community environment, basic utility services, and transportation.

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Geauga County
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- Business-type activities – The Village has a number of business-type activities which are financed by fees charged to the customers receiving the services.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the Village's major funds are on pages 15, 16, 23 and 24. Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund, Income Tax Fund, and Recreation Center Construction. The Village's major proprietary funds are the Water Fund, Sewer Fund, New Well Capital Improvement Fund, and Sewer Capital Improvement Fund and the Water Treatment Plant Improvement Fund (2008).

Governmental Funds Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed view of the Village's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is essentially the same on a cash basis.

Proprietary Funds When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as enterprise funds. The proprietary funds for the Village consist exclusively of enterprise funds.

Notes to the Basic Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Village as a Whole

Tables 1 and 2 provide a summary of the Village's net assets for 2008 compared to 2007 and 2007 compared to 2006 on the cash basis:

Village of Middlefield
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Table 1

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash and Investments	\$ 3,912,859	\$ 3,541,291	\$ 1,432,453	\$ 1,679,308	\$ 5,345,312	\$ 5,220,599
<i>Total Assets</i>	<u>3,912,859</u>	<u>3,541,291</u>	<u>1,432,453</u>	<u>1,679,308</u>	<u>5,345,312</u>	<u>5,220,599</u>
Net Assets:						
Restricted						
Capital Projects	1,060,789	1,046,688	-	-	1,060,789	1,046,688
Other Purposes	2,737,078	2,415,480	-	-	2,737,078	2,415,480
Unrestricted	<u>114,992</u>	<u>79,123</u>	<u>1,432,453</u>	<u>1,679,308</u>	<u>1,547,445</u>	<u>1,758,431</u>
<i>Total Net Assets</i>	<u>\$ 3,912,859</u>	<u>\$ 3,541,291</u>	<u>\$ 1,432,453</u>	<u>\$ 1,679,308</u>	<u>\$ 5,345,312</u>	<u>\$ 5,220,599</u>

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Cash and Investments	\$ 3,541,291	\$ 4,145,862	\$ 1,679,308	\$ 1,234,085	\$ 5,220,599	\$ 5,379,947
<i>Total Assets</i>	<u>3,541,291</u>	<u>4,145,862</u>	<u>1,679,308</u>	<u>1,234,085</u>	<u>5,220,599</u>	<u>5,379,947</u>
Net Assets:						
Restricted						
Capital Projects	1,046,688	1,001,787	-	-	1,046,688	1,001,787
Other Purposes	2,415,480	2,979,931	-	-	2,415,480	2,979,931
Unrestricted	<u>79,123</u>	<u>164,144</u>	<u>1,679,308</u>	<u>1,234,085</u>	<u>1,758,431</u>	<u>1,398,229</u>
<i>Total Net Assets</i>	<u>\$ 3,541,291</u>	<u>\$ 4,145,862</u>	<u>\$ 1,679,308</u>	<u>\$ 1,234,085</u>	<u>\$ 5,220,599</u>	<u>\$ 5,379,947</u>

For an explanation of significant variances, see tables 3 and 4 below.

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The tables below show the net changes in net assets for 2008 and 2007.

Table 3

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 209,777	\$ 354,344	\$ 997,084	\$ 926,891	\$ 1,206,861	\$ 1,281,235
Operating Grants and Contributions	130,635	139,040	-	-	130,635	139,040
General Receipts:						
Property Taxes	584,343	594,025	-	-	584,343	594,025
Municipal Income Taxes	2,941,935	3,137,080	-	-	2,941,935	3,137,080
Grants and Entitlements	120,587	155,356	-	-	120,587	155,356
Interest	119,945	235,788	-	-	119,945	235,788
Miscellaneous	79,722	29,156	8,893	-	88,615	29,156
Proceeds of OWDA Loan	-	-	4,370,962	6,762,990	4,370,962	6,762,990
Transfers	(22,689)	(3,163)	22,689	3,163	-	-
Total Receipts	4,164,255	4,641,626	5,399,628	7,693,044	9,563,883	12,334,670
Disbursements:						
Current:						
General Government	600,337	648,811	-	-	600,337	648,811
Security of Persons and Property	1,262,024	1,230,400	-	-	1,262,024	1,230,400
Public Health Services	39,357	45,494	-	-	39,357	45,494
Leisure Time Activities	396,197	1,531,273	-	-	396,197	1,531,273
Community Environment	58,597	81,401	-	-	58,597	81,401
Basic Utility Services	198,358	327,521	-	-	198,358	327,521
Transportation	482,357	979,323	-	-	482,357	979,323
Capital Outlay	348,881	295,630	-	-	348,881	295,630
Debt Service:						
Principal Retirement	406,579	106,344	-	-	406,579	106,344
Water	-	-	507,944	461,622	507,944	461,622
Sewer	-	-	504,028	503,251	504,028	503,251
New Well Capital Improvement	-	-	7,940	1,013	7,940	1,013
Sewer Plant Construction	-	-	-	5,612,368	-	5,612,368
Water Emergency	-	-	64	-	64	-
Sewer Capital Improvement	-	-	541,594	220,800	541,594	220,800
Water Treatment Plant	-	-	4,084,913	448,767	4,084,913	448,767
Total Disbursements	3,792,687	5,246,197	5,646,483	7,247,821	9,439,170	12,494,018
Changes in Net Assets	\$ 371,568	\$ (604,571)	\$ (246,855)	\$ 445,223	\$ 124,713	\$ (159,348)

Village of Middlefield
Geauga County
Management's Discussion and Analysis
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(unaudited)

Table 4

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 354,344	\$ 422,035	\$ 926,891	\$ 886,019	\$ 1,281,235	\$ 1,308,054
Operating Grants and Contributions	139,040	3,630	-	589,785	139,040	593,415
Capital Grants and Contributions	-	5,809,639	-	-	-	5,809,639
General Receipts:						
Property Taxes	594,025	616,622	-	-	594,025	616,622
Municipal Income Taxes	3,137,080	3,073,614	-	-	3,137,080	3,073,614
Grants and Entitlements	155,356	150,057	-	-	155,356	150,057
Interest	235,788	192,369	-	-	235,788	192,369
Miscellaneous	29,156	314,339	-	-	29,156	314,339
Proceeds of OWDA Loan	-	-	6,762,990	-	6,762,990	-
Transfers	(3,163)	12,002	3,163	(12,002)	-	-
Total Receipts	4,641,626	10,594,307	7,693,044	1,463,802	12,334,670	12,058,109
Disbursements:						
Current:						
General Government	648,811	641,928	-	-	648,811	641,928
Security of Persons and Property	1,230,400	1,099,647	-	-	1,230,400	1,099,647
Public Health Services	45,494	41,585	-	-	45,494	41,585
Leisure Time Activities	1,531,273	479,786	-	-	1,531,273	479,786
Community Environment	81,401	238,868	-	-	81,401	238,868
Basic Utility Services	327,521	183,103	-	-	327,521	183,103
Transportation	979,323	591,031	-	-	979,323	591,031
Miscellaneous	-	97,684	-	-	-	97,684
Capital Outlay	295,630	6,054,746	-	-	295,630	6,054,746
Debt Service:						
Principal Retirement	106,344	106,346	-	-	106,344	106,346
Water	-	-	461,622	366,950	461,622	366,950
Sewer	-	-	503,251	465,386	503,251	465,386
New Well Capital Improvement	-	-	1,013	27,694	1,013	27,694
Sewer Plant Construction	-	-	5,612,368	-	5,612,368	-
Water Treatment	-	-	448,767	-	448,767	-
Sewer Capital Improvement	-	-	220,800	294,142	220,800	294,142
Total Disbursements	5,246,197	9,534,724	7,247,821	1,154,172	12,494,018	10,688,896
Changes in Net Assets	\$ (604,571)	\$ 1,059,583	\$ 445,223	\$ 309,630	\$ (159,348)	\$ 1,369,213

Village of Middlefield
Geauga County
Management's Discussion and Analysis
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Governmental Activities

In 2008, net assets of the Village's governmental activities increased by \$371,568. The governmental expenses of \$3,792,687 were primarily offset by program revenues of \$340,412, general revenues of \$3,846,532 and the prior year cash balance. Program revenues supported 9% of the total governmental activities.

In 2008, the primary sources of revenue for governmental activities are derived from property taxes, and income taxes. These two revenue sources represent 89% of total general revenue.

In 2007, net assets of the Village's governmental activities decreased by \$604,571. The governmental expenses of \$5,246,197 were primarily offset by program revenues of \$493,384, general revenues of \$4,151,405 and the prior year cash balance. Program revenues supported 11% of the total governmental activities.

In 2007, the primary sources of revenue for governmental activities are derived from property taxes, and income taxes. These two revenue sources represent 86% of total general revenue.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Tables 5 shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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Table 5

Total and Cost of Program Services

	Governmental Activities		Business Type Activities	
	2008		2008	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 600,337	\$ (469,883)	-	-
Security of Persons and Property	1,262,024	(1,249,515)	-	-
Public Health Services	39,357	(20,782)	-	-
Leisure Time Activities	396,197	(343,661)	-	-
Community Environment	58,597	(58,597)	-	-
Basic Utility Services	198,358	(191,061)	-	-
Transportation	482,357	(363,316)	-	-
Capital Outlay	348,881	(348,881)	-	-
Retirement of Principal	406,579	(406,579)	-	-
Water	-	-	\$ 507,944	\$ (32,674)
Sewer	-	-	504,028	17,786
New Well Capital Improvement	-	-	7,940	(7,940)
Sewer Capital Improvement	-	-	541,594	(541,594)
Water Emergency	-	-	64	(64)
Water Treatment Plant	-	-	4,084,913	(4,084,913)
Total Expenses	\$ 3,792,687	\$ (3,452,275)	\$ 5,646,483	\$ (4,649,399)

	Governmental Activities		Business Type Activities	
	2007		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 648,811	\$ (505,448)	-	-
Security of Persons and Property	1,230,400	(1,210,356)	-	-
Public Health Services	45,494	(23,077)	-	-
Leisure Time Activities	1,531,273	(1,479,697)	-	-
Community Environment	81,401	(81,401)	-	-
Basic Utility Services	327,521	(327,521)	-	-
Transportation	979,323	(844,827)	-	-
Capital Outlay	295,630	(174,142)	-	-
Retirement of Principal	106,344	(106,344)	-	-
Water	-	-	\$ 461,622	\$ (18,417)
Sewer	-	-	503,251	(19,565)
Water Treatment	-	-	448,767	(448,767)
Sewer Plant Construction	-	-	5,612,368	(5,612,368)
New Well Capital Improvement	-	-	1,013	(1,013)
Sewer Capital Improvement	-	-	220,800	(220,800)
Total Expenses	\$ 5,246,197	\$ (4,752,813)	\$ 7,247,821	\$ (6,320,930)

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For 2008 and 2007, 9 and 11 percent of general government activities were supported through program revenues, respectively. For all governmental activities, general revenue and prior year cash balance support is all expenses as shown in the above table. The community, as a whole, is by far the primary support for the Village of Middlefield.

Business-type Activities

The dependence upon program revenues is apparent as 18 and 13 percent of Business-Type activities are supported through these receipts for 2008 and 2007. The infrastructure is beginning to age but the Village has ongoing maintenance projects to upgrade the infrastructure.

The Village's Funds

Information about the Village's major funds are on pages 15, 16, 23 and 24. These funds are accounted for using the cash basis of accounting.

In 2008, all governmental funds had total revenues of \$4,186,944 and expenditures of \$3,792,687. The net change in fund balance for the year was most significant in the Income Tax Fund, where the fund balance increased by \$349,714 for 2008.

In 2007, all governmental funds had total revenues of \$4,644,789 and expenditures of \$5,246,197. The net change in fund balance for the year was most significant in the Income Tax Fund, where the fund balance decreased by \$571,073 for 2007.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2008 and 2007 the Village amended its General Fund budget numerous times. The Village uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

In 2008, for the General Fund, budget basis revenue was \$846,684, the original estimate was \$1,412,615. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,593,893, \$100,215 under the budget.

In 2007, for the General Fund, budget basis revenue was \$936,247, the original estimate was \$724,774. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,624,205, \$67,782 under the budget.

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Debt Administration

Debt

At December 31, 2008, the Village had \$846,084 in OPWC loans and \$16,121,086 in OWDA loan. These issues were used for improvements to the Village's water and sewer systems. See Note 10 to the financial statements.

Current Financial Related Activities

The Village of Middlefield is strong financially. As the preceding information shows, the Village heavily depends on its property/income taxpayers. However, financially the future is not without challenges.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact Carol Osborne, Clerk/Treasurer at 14860 N. State Avenue, Middlefield, Ohio 44062.

Village of Middlefield, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2008

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	\$ 3,912,859	\$ 1,432,453	\$ 5,345,312
<i>Total Assets</i>	<u>\$ 3,912,859</u>	<u>\$ 1,432,453</u>	<u>\$ 5,345,312</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 1,060,789	-	\$ 1,060,789
Other Purposes	2,737,078	-	2,737,078
Unrestricted	114,992	\$ 1,432,453	1,547,445
<i>Total Net Assets</i>	<u>\$ 3,912,859</u>	<u>\$ 1,432,453</u>	<u>\$ 5,345,312</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 600,337	\$ 130,454	-	\$ (469,883)	\$ -	\$ (469,883)
Security of Persons and Property	1,262,024	436	\$ 12,073	(1,249,515)	-	(1,249,515)
Public Health Services	39,357	18,575	-	(20,782)	-	(20,782)
Leisure Time Activities	396,197	52,536	-	(343,661)	-	(343,661)
Community Environment	58,597	-	-	(58,597)	-	(58,597)
Basic Utility Services	198,358	7,297	-	(191,061)	-	(191,061)
Transportation	482,357	479	118,562	(363,316)	-	(363,316)
Capital Outlay	348,881	-	-	(348,881)	-	(348,881)
Redemption of Principal	406,579	-	-	(406,579)	-	(406,579)
<i>Total Governmental Activities</i>	3,792,687	209,777	130,635	(3,452,275)	-	(3,452,275)
Business Type Activities						
Water	507,944	475,270	-	-	(32,674)	(32,674)
Sewer	504,028	521,814	-	-	17,786	17,786
New Well Capital Improvement	7,940	-	-	-	(7,940)	(7,940)
Sewer Capital Improvement	541,594	-	-	-	(541,594)	(541,594)
Water Emergency	64	-	-	-	(64)	(64)
Water Treatment Plant	4,084,913	-	-	-	(4,084,913)	(4,084,913)
<i>Total Business Type Activities</i>	5,646,483	997,084	-	-	(4,649,399)	(4,649,399)
Total	\$ 9,439,170	\$ 1,206,861	\$ 130,635	\$ (3,452,275)	\$ (4,649,399)	\$ (8,101,674)
General Receipts						
Property Taxes Levied for:						
General Purposes				427,206	-	\$ 427,206
Special Purposes				157,137	-	157,137
Municipal Income Taxes				2,941,935	-	2,941,935
Grants and Entitlements not Restricted						
to Specific Programs				120,587	-	120,587
Interest				119,945	-	119,945
Proceeds of OWDA Loans				-	4,370,962	4,370,962
Miscellaneous				79,722	8,893	88,615
<i>Total General Receipts</i>				3,846,532	4,379,855	8,226,387
Transfers				(22,689)	22,689	-
<i>Total General Receipts and Transfers</i>				3,823,843	4,402,544	8,226,387
Change in Net Assets				371,568	(246,855)	124,713
<i>Net Assets Beginning of Year</i>				3,541,291	1,679,308	5,220,599
<i>Net Assets End of Year</i>				<u>\$ 3,912,859</u>	<u>\$ 1,432,453</u>	<u>\$ 5,345,312</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Income Tax</u>	<u>Recreation Center Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Investments	\$ 114,992	\$ 2,285,489	\$ 409,114	\$ 1,103,264	\$ 3,912,859
<i>Total Assets</i>	<u>\$ 114,992</u>	<u>\$ 2,285,489</u>	<u>\$ 409,114</u>	<u>\$ 1,103,264</u>	<u>\$ 3,912,859</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 114,992	-	-	-	\$ 114,992
Special Revenue Funds	-	\$ 2,285,489	-	\$ 451,589	2,737,078
Capital Projects Funds	-	-	409,114	651,675	1,060,789
<i>Total Fund Balances</i>	<u>\$ 114,992</u>	<u>\$ 2,285,489</u>	<u>\$ 409,114</u>	<u>\$ 1,103,264</u>	<u>\$ 3,912,859</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Income Tax	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal Income Taxes	\$ 43,634	\$ 2,898,301	-	-	\$ 2,941,935
Property and Other Local Taxes	427,206	-	-	\$ 157,137	584,343
Charges for Services	34,567	-	-	78,408	112,975
Fines, Licenses and Permits	95,887	-	-	915	96,802
Intergovernmental	120,587	-	-	130,635	251,222
Interest	119,945	-	-	-	119,945
Miscellaneous	12,294	240	-	67,188	79,722
<i>Total Receipts</i>	854,120	2,898,541	-	434,283	4,186,944
Disbursements					
Current:					
General Government	281,660	318,677	-	-	600,337
Security of Persons and Property	1,089,752	-	-	172,272	1,262,024
Public Health Services	-	-	-	39,357	39,357
Leisure Time Activities	80,470	177,806	-	137,921	396,197
Community Environment	58,597	-	-	-	58,597
Basic Utility Services	51,269	1,340	-	145,749	198,358
Transportation	32,145	300,260	-	149,952	482,357
Capital Outlay	-	244,198	-	104,683	348,881
Debt Service:					
Principal Retirement	-	398,546	-	8,033	406,579
<i>Total Disbursements</i>	1,593,893	1,440,827	-	757,967	3,792,687
<i>Excess of Receipts Over (Under) Disbursements</i>	(739,773)	1,457,714	-	(323,684)	394,257
Other Financing Sources (Uses)					
Transfers In	850,000	-	109,114	215,555	1,174,669
Transfers Out	(74,358)	(1,108,000)	-	(15,000)	(1,197,358)
<i>Total Other Financing Sources (Uses)</i>	775,642	(1,108,000)	109,114	200,555	(22,689)
<i>Net Change in Fund Balances</i>	35,869	349,714	109,114	(123,129)	371,568
Fund Balances Beginning of Year	79,123	1,935,775	300,000	1,226,393	3,541,291
Fund Balances End of Year	\$ 114,992	\$ 2,285,489	\$ 409,114	\$ 1,103,264	\$ 3,912,859

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 554	\$ 43,254	\$ 43,634	\$ 380
Property and Other Local Taxes	408,356	423,487	427,206	3,719
Charges for Services	4,500	34,266	34,567	301
Fines, Licenses and Permits	83,909	95,052	95,887	835
Intergovernmental	115,196	119,537	120,587	1,050
Interest	800,000	118,901	119,945	1,044
Miscellaneous	100	12,187	12,294	107
<i>Total receipts</i>	1,412,615	846,684	854,120	7,436
Disbursements				
Current:				
General Government	259,776	299,352	281,660	17,692
Security of Persons and Property	993,305	1,164,882	1,089,752	75,130
Leisure Time Activities	64,650	82,682	80,470	2,212
Community Environment	40,600	58,673	58,597	76
Basic Utility Services	40,331	55,242	51,269	3,973
Transportation	21,075	33,277	32,145	1,132
<i>Total Disbursements</i>	1,419,737	1,694,108	1,593,893	100,215
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,122)	(847,424)	(739,773)	107,651
Other Financing Sources (Uses)				
Transfers In	-	850,000	850,000	-
Transfers Out	(72,000)	(74,358)	(74,358)	-
<i>Total Other Financing Sources (Uses)</i>	(72,000)	775,642	775,642	-
<i>Net Change in Fund Balance</i>	(79,122)	(71,782)	35,869	107,651
<i>Fund Balance Beginning of Year</i>	79,123	79,123	79,123	-
<i>Fund Balance End of Year</i>	\$ 1	\$ 7,341	\$ 114,992	\$ 107,651

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Revenue - Income Tax Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 2,350,000	\$ 2,628,347	\$ 2,898,301	\$ 269,954
Miscellaneous	-	-	240	240
<i>Total receipts</i>	2,350,000	2,628,347	2,898,541	270,194
Disbursements				
Current:				
General Government	645,300	645,300	318,677	326,623
Public Health Services	18,000	-	-	-
Leisure Time Activities	191,500	191,500	177,806	13,694
Basic Utility Services	300,000	300,000	1,340	298,660
Transportation	746,832	712,980	300,260	412,720
Capital Outlay	355,172	355,172	244,198	110,974
Debt Service:				
Principal Retirement	601,000	699,312	398,546	300,766
<i>Total Disbursements</i>	2,857,804	2,904,264	1,440,827	1,463,437
<i>Excess of Receipts Over (Under) Disbursements</i>	(507,804)	(275,917)	1,457,714	1,733,631
Other Financing Sources (Uses)				
Transfers Out	(990,000)	(1,108,000)	(1,108,000)	-
<i>Total Other Financing Sources (Uses)</i>	(990,000)	(1,108,000)	(1,108,000)	-
<i>Net Change in Fund Balance</i>	(1,497,804)	(1,383,917)	349,714	1,733,631
<i>Fund Balance Beginning of Year</i>	1,935,775	1,935,775	1,935,775	-
<i>Fund Balance End of Year</i>	<u>\$ 437,971</u>	<u>\$ 551,858</u>	<u>\$ 2,285,489</u>	<u>\$ 1,733,631</u>

See accompanying notes to the financial statements

Village of Middlefield, Gauga County
Statement of Fund Net Assets - Cash Basis
Proprietary Funds
December 31, 2008

	Business-Type Activities						Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Water Treatment Plant Improvement	Other Enterprise Funds	
Assets							
Equity in Pooled Cash and Investments	\$ 60,575	\$ 38,262	\$ 321,353	\$ 747,199	\$ 192,053	\$ 73,011	\$ 1,432,453
<i>Total Assets</i>	<u>\$ 60,575</u>	<u>\$ 38,262</u>	<u>\$ 321,353</u>	<u>\$ 747,199</u>	<u>\$ 192,053</u>	<u>\$ 73,011</u>	<u>\$ 1,432,453</u>
Net Assets							
Unrestricted	<u>\$ 60,575</u>	<u>\$ 38,262</u>	<u>\$ 321,353</u>	<u>\$ 747,199</u>	<u>\$ 192,053</u>	<u>\$ 73,011</u>	<u>\$ 1,432,453</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2008*

	Business-Type Activities						Total Enterprise Funds
	Water	Sewer	New Well Capital Improvement	Sewer Capital Improvement	Water Treatment Plant Improvement	Other Enterprise Funds	
Operating Receipts							
Charges for Services	\$ 475,270	\$ 521,814	-	-	-	-	\$ 997,084
Other Operating Receipts	-	8,893	-	-	-	-	8,893
<i>Total Operating Receipts</i>	<u>475,270</u>	<u>530,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,005,977</u>
Operating Disbursements							
Personal Services	314,165	197,755	-	-	-	-	511,920
Travel Transportation	160	-	-	-	-	-	160
Contractual Services	105,898	255,517	-	-	-	-	361,415
Materials and Supplies	57,248	50,444	-	-	-	-	107,692
Other	1,631	312	-	-	-	\$ 64	2,007
Capital Outlay	-	-	\$ 7,940	\$ 541,594	\$ 4,084,913	-	4,634,447
<i>Total Operating Disbursements</i>	<u>479,102</u>	<u>504,028</u>	<u>7,940</u>	<u>541,594</u>	<u>4,084,913</u>	<u>64</u>	<u>5,617,641</u>
<i>Operating Income (Loss)</i>	(3,832)	26,679	(7,940)	(541,594)	(4,084,913)	(64)	(4,611,664)
Non-Operating Receipts/(Disbursements)							
Proceeds of OWDA Loans	-	-	-	93,996	4,276,966	-	4,370,962
Principal Retirement	(28,842)	-	-	-	-	-	(28,842)
<i>Total Non-Operating Receipts/(Disbursements)</i>	<u>(28,842)</u>	<u>-</u>	<u>-</u>	<u>93,996</u>	<u>4,276,966</u>	<u>-</u>	<u>4,342,120</u>
<i>Income (Loss) before Transfers</i>	(32,674)	26,679	(7,940)	(447,598)	192,053	(64)	(269,544)
Transfers In	-	13,927	13,556	26,253	-	2,629	56,365
Transfers Out	(18,476)	(15,200)	-	-	-	-	(33,676)
<i>Total Transfers</i>	<u>(18,476)</u>	<u>(1,273)</u>	<u>13,556</u>	<u>26,253</u>	<u>-</u>	<u>2,629</u>	<u>22,689</u>
<i>Change in Net Assets</i>	(51,150)	25,406	5,616	(421,345)	192,053	2,565	(246,855)
<i>Net Assets Beginning of Year</i>	<u>111,725</u>	<u>12,856</u>	<u>315,737</u>	<u>1,168,544</u>	<u>-</u>	<u>70,446</u>	<u>1,679,308</u>
<i>Net Assets End of Year</i>	<u>\$ 60,575</u>	<u>\$ 38,262</u>	<u>\$ 321,353</u>	<u>\$ 747,199</u>	<u>\$ 192,053</u>	<u>\$ 73,011</u>	<u>\$ 1,432,453</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$153,670</u>
Net Assets	
Restricted - Deposits	<u>\$153,670</u>

See accompanying notes to the basic financial statements

Village of Middlefield, Geauga County

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Investments	\$ 3,541,291	\$ 1,679,308	\$ 5,220,599
<i>Total Assets</i>	<u>\$ 3,541,291</u>	<u>\$ 1,679,308</u>	<u>\$ 5,220,599</u>
Net Assets			
Restricted for:			
Capital Projects	\$ 1,046,688	-	\$ 1,046,688
Other Purposes	2,415,480	-	2,415,480
Unrestricted	79,123	\$ 1,679,308	1,758,431
<i>Total Net Assets</i>	<u>\$ 3,541,291</u>	<u>\$ 1,679,308</u>	<u>\$ 5,220,599</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 648,811	\$ 143,363	-	\$ (505,448)	\$ -	\$ (505,448)
Security of Persons and Property	1,230,400	-	\$ 20,044	(1,210,356)	-	(1,210,356)
Public Health Services	45,494	22,417	-	(23,077)	-	(23,077)
Leisure Time Activities	1,531,273	51,576	-	(1,479,697)	-	(1,479,697)
Community Environment	81,401	-	-	(81,401)	-	(81,401)
Basic Utility Services	327,521	-	-	(327,521)	-	(327,521)
Transportation	979,323	15,500	118,996	(844,827)	-	(844,827)
Capital Outlay	295,630	121,488	-	(174,142)	-	(174,142)
Redemption of Principal	106,344	-	-	(106,344)	-	(106,344)
<i>Total Governmental Activities</i>	<u>5,246,197</u>	<u>354,344</u>	<u>139,040</u>	<u>(4,752,813)</u>	<u>-</u>	<u>(4,752,813)</u>
Business Type Activities						
Water	461,622	443,205	-	-	(18,417)	(18,417)
Sewer	503,251	483,686	-	-	(19,565)	(19,565)
Water Treatment	448,767	-	-	-	(448,767)	(448,767)
New Well Capital Improvement	1,013	-	-	-	(1,013)	(1,013)
Sewer Capital Improvement	220,800	-	-	-	(220,800)	(220,800)
Sewer Plant Construction	5,612,368	-	-	-	(5,612,368)	(5,612,368)
<i>Total Business Type Activities</i>	<u>7,247,821</u>	<u>926,891</u>	<u>-</u>	<u>-</u>	<u>(6,320,930)</u>	<u>(6,320,930)</u>
Total	<u>\$ 12,494,018</u>	<u>\$ 1,281,235</u>	<u>\$ 139,040</u>	<u>\$ (4,752,813)</u>	<u>\$ (6,320,930)</u>	<u>\$ (11,073,743)</u>
General Receipts						
Property Taxes Levied for:						
General Purposes				\$ 431,964	-	\$ 431,964
Special Purposes				162,061	-	162,061
Municipal Income Taxes				3,137,080	-	3,137,080
Grants and Entitlements not Restricted to Specific Programs						
Interest				155,356	-	155,356
Proceeds of OWDA Loans				235,788	-	235,788
Miscellaneous				-	\$ 6,762,990	6,762,990
				29,156	-	29,156
<i>Total General Receipts</i>				<u>4,151,405</u>	<u>6,762,990</u>	<u>10,914,395</u>
Transfers				(3,163)	3,163	-
<i>Total General Receipts and Transfers</i>				<u>4,148,242</u>	<u>6,766,153</u>	<u>10,914,395</u>
Change in Net Assets				(604,571)	445,223	(159,348)
<i>Net Assets Beginning of Year - Restated</i>				<u>4,145,862</u>	<u>1,234,085</u>	<u>5,379,947</u>
<i>Net Assets End of Year</i>				<u>\$ 3,541,291</u>	<u>\$ 1,679,308</u>	<u>\$ 5,220,599</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Income Tax</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Investments	\$ 79,123	\$ 1,935,775	\$ 1,526,393	\$ 3,541,291
<i>Total Assets</i>	<u>\$ 79,123</u>	<u>\$ 1,935,775</u>	<u>\$ 1,526,393</u>	<u>\$ 3,541,291</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	-	\$ 491,803	\$ 210,273	\$ 702,076
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$ 79,123	-	-	\$ 79,123
Special Revenue Funds	-	\$ 1,443,972	\$ 479,705	1,923,677
Capital Projects Funds	-	-	836,415	836,415
<i>Total Fund Balances</i>	<u>\$ 79,123</u>	<u>\$ 1,935,775</u>	<u>\$ 1,526,393</u>	<u>\$ 3,541,291</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2007

	General	Income Tax	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes	\$ 30,271	\$ 3,106,809	-	\$ 3,137,080
Property and Other Local Taxes	431,964	-	\$ 162,061	594,025
Charges for Services	28,083	15,500	195,481	239,064
Fines, Licenses and Permits	106,248	8,231	801	115,280
Intergovernmental	113,523	42,621	138,252	294,396
Interest	235,788	-	-	235,788
Miscellaneous	1,701	4,477	22,978	29,156
<i>Total Receipts</i>	947,578	3,177,638	519,573	4,644,789
Disbursements				
Current:				
General Government	325,003	323,808	-	648,811
Security of Persons and Property	1,042,323	3,230	184,847	1,230,400
Public Health Services	-	-	45,494	45,494
Leisure Time Activities	55,461	1,319,984	155,828	1,531,273
Community Environment	81,401	-	-	81,401
Basic Utility Services	40,280	251,186	36,055	327,521
Transportation	79,737	798,041	101,545	979,323
Capital Outlay	-	91,819	203,811	295,630
Debt Service:				
Principal Retirement	-	52,643	53,701	106,344
<i>Total Disbursements</i>	1,624,205	2,840,711	781,281	5,246,197
<i>Excess of Receipts Over (Under) Disbursements</i>	(676,627)	336,927	(261,708)	(601,408)
Other Financing Sources (Uses)				
Transfers In	650,000	-	328,231	978,231
Transfers Out	(58,394)	(908,000)	(15,000)	(981,394)
<i>Total Other Financing Sources (Uses)</i>	591,606	(908,000)	313,231	(3,163)
<i>Net Change in Fund Balances</i>	(85,021)	(571,073)	51,523	(604,571)
Fund Balances Beginning of Year-Restated	164,144	2,506,848	1,474,870	4,145,862
Fund Balances End of Year	\$ 79,123	\$ 1,935,775	\$ 1,526,393	\$ 3,541,291

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal Income Taxes	\$ 1,107	\$ 30,271	\$ 30,271	\$ -
Property and Other Local Taxes	390,948	431,963	431,964	1
Charges for Services	4,500	4,500	28,083	23,583
Fines, Licenses and Permits	117,125	120,242	106,248	(13,994)
Intergovernmental	111,069	122,766	113,523	(9,243)
Interest	100,000	224,988	235,788	10,800
Miscellaneous	25	1,517	1,701	184
<i>Total receipts</i>	<u>724,774</u>	<u>936,247</u>	<u>947,578</u>	<u>11,331</u>
Disbursements				
Current:				
General Government	295,485	337,942	325,003	12,939
Security of Persons and Property	954,816	1,079,478	1,042,323	37,155
Leisure Time Activities	45,500	55,946	55,461	485
Community Environment	50,000	90,703	81,401	9,302
Basic Utility Services	33,910	44,910	40,280	4,630
Transportation	113,700	83,008	79,737	3,271
<i>Total Disbursements</i>	<u>1,493,411</u>	<u>1,691,987</u>	<u>1,624,205</u>	<u>67,782</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(768,637)	(755,740)	(676,627)	(56,451)
Other Financing Sources (Uses)				
Transfers In	650,000	650,000	650,000	-
Transfers Out	(45,500)	(58,398)	(58,394)	4
<i>Total Other Financing Sources (Uses)</i>	<u>604,500</u>	<u>591,602</u>	<u>591,606</u>	<u>4</u>
<i>Net Change in Fund Balance</i>	(164,137)	(164,138)	(85,021)	(56,447)
<i>Fund Balance Beginning of Year</i>	<u>164,144</u>	<u>164,144</u>	<u>164,144</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 7</u>	<u>\$ 6</u>	<u>\$ 79,123</u>	<u>\$ (56,447)</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Revenue - Income Tax Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal Income Taxes	\$ 2,350,000	\$ 3,106,809	\$ 3,106,809	\$ -
Charges for Services	-	16,000	15,500	(500)
Fines, Licenses and Permits	-	-	8,231	8,231
Intergovernmental	-	42,800	42,621	(179)
Miscellaneous	-	6,798	4,477	(2,321)
<i>Total receipts</i>	2,350,000	3,172,407	3,177,638	5,231
Disbursements				
Current:				
General Government	360,900	466,900	323,808	143,092
Security of Persons and Property	-	200,000	3,230	196,770
Leisure Time Activities	1,346,500	1,546,500	1,319,984	226,516
Basic Utility Services	200,000	280,000	251,186	28,814
Transportation	1,732,386	1,983,264	1,289,844	693,420
Capital Outlay	165,200	180,700	91,819	88,881
Debt Service:				
Principal Retirement	52,646	52,646	52,643	3
<i>Total Disbursements</i>	3,857,632	4,710,010	3,332,514	1,377,496
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,507,632)	(1,537,603)	(154,876)	1,382,727
Other Financing Sources (Uses)				
Transfers Out	(908,000)	(908,000)	(908,000)	-
<i>Total Other Financing Sources (Uses)</i>	(908,000)	(908,000)	(908,000)	-
<i>Net Change in Fund Balance</i>	(2,415,632)	(2,445,603)	(1,062,876)	1,382,727
<i>Fund Balance Beginning of Year</i>	2,506,848	2,506,848	2,506,848	-
<i>Fund Balance End of Year</i>	<u>\$ 91,216</u>	<u>\$ 61,245</u>	<u>\$ 1,443,972</u>	<u>\$ 1,382,727</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2007

	<u>New Well</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
	<u>Capital Improvement</u>	<u>Capital Improvement</u>	<u>Enterprise Funds</u>	<u>Enterprise Funds</u>
Assets				
Equity in Pooled Cash and Investments	<u>\$ 315,737</u>	<u>\$ 1,168,544</u>	<u>\$ 195,027</u>	<u>\$ 1,679,308</u>
<i>Total Assets</i>	<u>\$ 315,737</u>	<u>\$ 1,168,544</u>	<u>\$ 195,027</u>	<u>\$ 1,679,308</u>
Net Assets				
Unrestricted	<u>\$ 315,737</u>	<u>\$ 1,168,544</u>	<u>\$ 195,027</u>	<u>\$ 1,679,308</u>

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
*Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007*

	Business-Type Activities				
	Sewer Plant Construction	New Well Capital Improvement	Sewer Capital Improvement	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts					
Charges for Services	-	-	-	\$ 926,891	\$ 926,891
<i>Total Operating Receipts</i>	-	-	-	926,891	926,891
Operating Disbursements					
Personal Services	-	-	-	460,425	460,425
Travel Transportation	-	-	-	130	130
Contractual Services	\$ 69,999	-	\$ 144,182	377,205	591,386
Materials and Supplies	-	-	-	94,046	94,046
Capital Outlay	5,542,369	\$ 1,013	76,618	452,992	6,072,992
<i>Total Operating Disbursements</i>	5,612,368	1,013	220,800	1,384,798	7,218,979
<i>Operating Income (Loss)</i>	(5,612,368)	(1,013)	(220,800)	(457,907)	(6,292,088)
Non-Operating Receipts/(Disbursements)					
Proceeds of OWDA Loans	5,612,368	-	701,855	448,767	6,762,990
Principal Retirement	-	-	-	(28,842)	(28,842)
<i>Total Non-Operating Receipts/(Disbursements)</i>	5,612,368	-	701,855	419,925	6,734,148
<i>Income (Loss) before Transfers</i>	-	(1,013)	481,055	(37,982)	442,060
Transfers In	-	1,749	42,564	18,602	62,915
Transfers Out	-	-	-	(59,752)	(59,752)
<i>Total Transfers</i>	-	1,749	42,564	(41,150)	3,163
<i>Change in Net Assets</i>	-	736	523,619	(79,132)	445,223
<i>Net Assets Beginning of Year</i>	-	315,001	644,925	274,159	1,234,085
<i>Net Assets End of Year</i>	\$ -	\$ 315,737	\$ 1,168,544	\$ 195,027	\$ 1,679,308

See accompanying notes to the financial statements

Village of Middlefield, Geauga County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
December 31, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$164,101</u>
Net Assets	
Restricted - Deposits	<u>\$164,101</u>

See accompanying notes to the basic financial statements

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Reporting Entity

The Village of Middlefield, Geauga County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a clerk/treasurer, and a mayor. The Village provides various services including police and fire protection, recreation (including parks), street maintenance and repair, and general administrative services.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village does not have any component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2 C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its governmental activities, business-type activities or to its enterprise funds. Following are the more significant of the Village's accounting policies.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Income Tax Fund and the Recreation Construction Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Income Tax Fund is used to account for the revenue raised by the Village income tax. The Recreation Construction Fund is used to account for monies for the construction of the recreation center. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are as follows:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

New Well Capital Improvement Fund - This fund is used to record tap-in-fees for new construction and expenditures that are used for water treatment expenses.

Sewer Capital Improvement Fund - This fund is used to record tap-in-fees for new construction and expenditures that are used for sewer treatment expenses.

Water Treatment Plant Improvement - This fund is used to account for the building of a new water treatment facility.

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's agency fund accounts for bonds that are returned when construction is complete.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriation ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriation were passed by the Village Council.

The appropriation ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Investments".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2008 and 2007, the Village invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

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, 2008 and 2007.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 and 2007 were \$119,945 and \$235,788.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village had no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

L. Long-Term Obligations

The Village's cash basis financial statements report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Village had no such transactions in 2008 or 2007.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village had no reserve balance in 2008 and reserves for encumbrances in 2007.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and Income Tax Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The Village had outstanding encumbrances for \$491,803 in the Special Revenue – Income Tax Fund in 2007.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 4 – Deposits and Investments

State statutes classify monies held by the Village into three categories.

Active deposits are public deposits necessary to meet current demands on the Village treasury. Such monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Village has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2008, \$1,644,484 of the Village's bank balance of \$1,944,484 which includes \$1,546,299 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At December 31, 2007, \$1,642,933 of the Village's bank balance of \$1,942,933 which includes \$1,575,914 of non-negotiable certificates of deposit was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

As of December 31, 2008 and 2007, the Village had \$1,088,728 and \$1,544,530 invested in STAROhio, respectively.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

At year end 2008 and 2007, the Village had \$2,587,765 and \$2,028,017 investments in repurchase agreements that are held in the Village's name by its custodian (agent), respectively.

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 5 – Income Taxes

The Village levies a municipal income tax of 1 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 the Village.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's Income Tax Department. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2008 and 2007 represent the collection of 2007 and 2006 taxes. Real property taxes received in 2008 and 2007 were levied after October 1, 2006 and 2005, on the assessed values as of January 1, 2006 and 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 and 2007 represent the collection of 2007 and 2006 taxes, respectively. Public utility real and tangible personal property taxes received in 2008 and 2007 became a lien on December 31, 2006 and 2005, were levied after October 1, 2006 and 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2008 and 2007 (other than public utility property) represent the collection of 2007 and 2006 taxes, respectively. Tangible personal property taxes received in 2008 and 2007 were levied after October 1, 2007 and 2006, on the true value as of December 31, 2006 and 2005, respectively. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2008-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The full tax rate for all Village operations for the year ended December 31, 2008 and 2007, was \$6.85 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 and 2007 property tax receipts were based are as follows:

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

<u>2008</u>	
Real Property	
Residential and Agricultural	\$ 43,105,150
Other	39,107,800
Tangible Personal Property	
General	10,133,030
Public Utility	1,443,830
Total Assessed Value	<u><u>\$ 93,789,810</u></u>

<u>2007</u>	
Real Property	
Residential and Agricultural	\$ 41,059,180
Other	38,511,990
Tangible Personal Property	
General	14,905,405
Public Utility	1,623,630
Total Assessed Value	<u><u>\$ 96,100,205</u></u>

Note 7 – Risk Management

The Village of Middlefield has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled Claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

All employees of the Village are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 8 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008 and 2007, the members of all three plans were required to contribute 10.0 and 9.5 percent of their annual covered salaries, respectively. The Village's contribution rate for pension benefits for 2008 and 2007 was 14.0 and 13.85 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$134,799, \$128,319, and \$122,305, respectively. The full amount has been contributed for 2008, 2007 and 2006.

B. Ohio Police and Fire Pension Fund

The Village 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. 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 the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 24 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2008, 2007, and 2006 were \$94,692, \$85,793, and \$74,848. The full amount has been contributed for 2008, 2007 and 2006.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2008 and 2007 local government employer contribution rate was 14.0 and 13.85 percent, respectively of covered payroll; 7 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 4.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 363,503. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$64,159. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2007, (the latest information available) were \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2008 and 2007

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution rate is 19.5 percent of covered payroll, the total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2008 and 2007. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions that were used to fund postemployment benefits were \$32,763 in 2008 for police. The OP&F's total health care expense for the year ended December 31, 2007 (the latest information available) was \$93,205,319, which was net of member contributions of \$56,031,875. The number of OP&F participants eligible to receive health care benefits as of December 31, 2007, was 14,295 for police and 10,583 for firefighters.

Note 10 – Debt

The Village's long-term debt activity for the years ended December 31, 2008 and 2007 were as follows:

	Balance at 1/1/2008	Increase	Decrease	Balance at 12/31/2008	Due within one year
O.P.W.C. Loans - 0%	\$ 981,270	\$ -	\$ 135,186	\$ 846,084	\$ 135,186
O.W.D.A. Loan #4463 - 0%	11,465,691	126,146	300,235	11,291,602	600,470
O.W.D.A. Loan #4756 - 2.75%	519,824	4,244,816	-	4,764,640	97,932
Capitalized Interest	1,058	63,786	-	64,844	-

	Balance at 1/1/2007	Increase	Decrease	Balance at 12/31/2007	Due within one year
O.P.W.C. Loans - 0%	\$ 1,116,456	\$ -	\$ 135,186	\$ 981,270	\$ 135,186
O.W.D.A. Loan #4463 - 0%	5,222,525	6,243,166	-	11,465,691	300,235
O.W.D.A. Loan #4756 - 2.75%	-	519,824	-	519,824	-
Capitalized Interest	-	1,058	-	1,058	-

The prior year ending debt balance was understated by \$5,208,102.

The Ohio Public Works Commission Loans were used for improvements to the Village's water treatment and sewer treatment systems. The loans will be paid from user charges.

The Ohio Water Development Authority loans were used for the Village's water and sewer expansion.

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2008 and 2007

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

Year Ending December 31:	<u>O.P.W.C Loans - Principal</u>
2009	\$ 135,186
2010	135,186
2011	135,186
2012	135,186
2013	135,186
2014-2018	<u>170,154</u>
Total	<u>\$ 846,084</u>

Final schedule of OWDA loans are not available until loans are fully disbursed or closed with the OEPA Project Coordinator.

Note 11 - Interfund Transactions

The following is a reconciliation of the Village's operating transfers for 2008 and 2007:

	2008	
Fund	Transfers In	Transfers Out
General	\$ 850,000	\$ 74,358
Income Tax	-	1,108,000
Police Levy	-	15,000
Equipment Replacement	71,977	-
Recreation Center Construction	109,114	-
Sewer Capital Improvements	26,253	-
New Well Capital Improvements	13,556	-
Streets	12,243	-
State Highway	1,835	-
Cemetery	18,000	-
Sidewalks	20,000	-
Parks and Recreation	80,000	-
Sick Leave	11,500	-
Water Revenue	-	18,476
Water Emergency	2,629	-
Sewer Revenue	13,927	15,200
Total	<u>\$ 1,231,034</u>	<u>\$ 1,231,034</u>

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2008 and 2007

Fund	2007	
	Transfers In	Transfers Out
General	\$ 650,000	\$ 58,394
Income Tax	-	908,000
Police Levy	-	15,000
Equipment Replacement	75,976	-
Sewer Capital Improvements	42,564	-
New Well Capital Improvements	1,749	-
Streets	16,199	-
State Highway	5,072	-
Cemetery	18,000	-
Utility Capital Improvement	1,484	-
Sidewalks	20,000	-
Parks and Recreation	180,000	-
Sick Leave	11,500	-
Water Revenue	-	22,252
Water Emergency	9,148	-
Sewer Revenue	9,454	37,500
Total	<u>\$ 1,041,146</u>	<u>\$ 1,041,146</u>

Transfers are made from the General fund to subsidize operations of other funds. Transfers are also made from other funds to move money for the payment of debt and capital expenditures. Transfers were in accordance with budgetary authorizations and Ohio Revised Code provisions.

Note 12 – Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed, by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

The Village may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Village Solicitor, the resolution of these matters will not have a material adverse effect on the financial condition of the Village.

Note 13 – Restatement of Prior Year Fund Balance/Net Assets

There was a reclassification of a Special Revenue – Bond Performance Fund to an Agency Fund from the prior year for \$176,189, which reduced the Other Governmental Funds and the Governmental Activities Net Assets and increased the Agency Fund Balance. Also, there was a prior year reclassification of a Special Revenue – Special Sidewalks Fund to a Capital Projects – Special Sidewalks Fund for \$53,292, which had no effect on the Other Governmental Fund Balances nor the Governmental Net Assets.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Middlefield
Geauga County
14860 N. State Street
P.O. Box 1019
Middlefield, Ohio 44062

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Middlefield, Geauga County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Village's financial statements and have issued our report thereon dated June 25, 2009, wherein we noted that the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2008-Middlefield-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-Middlefield-02 and 2008-Middlefield-03.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we reported to management of the Village in a separate letter dated June 25, 2009.

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

Charles E. Harris and Associates, Inc.

June 25, 2009

**VILLAGE OF MIDDLEFIELD
 GEAUGA COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2008 AND 2007**

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

Finding Number: 2008-Middlefield-01 Material Weakness

The Village of Middlefield prepares its financial statements in the cash format of Governmental Accounting Standards Board Statement (GASB) Number 34. During the year, the Village maintains its records in a traditional format and once a year, they have a consulting company perform this conversion GASB 34 look-alike statements. Although the Village’s records during the year are materially correct, we noted that the consulting company posted many line items incorrectly, which required significant audit adjustments, including, but not limited to Proceeds of OPWC loans, Principal Retirement, Transfers, Capital Grants, Miscellaneous Revenue, Intergovernmental Revenue and Restricted Net Assets. Also, a prior period adjustment was necessary to reclassify the Bond Performance Fund from Special Revenue Fund to Agency Fund and the Special Sidewalk Fund from Special Revenue Fund to Capital Projects Fund.

We recommend the Village ensure that the consulting company perform the conversion to the GASB 34 look-alike statements more accurately to avoid such audit adjustments and to present more accurate financial information.

Management’s response:

Management believes the day-to-day operations of the Treasurer’s office is run efficiently and accurately. The above mentioned issues are a result of the conversion company we feel that it is not a problem with the operations of the Village.

Finding Number: 2008-Middlefield-02 – Noncompliance Citation

Expenditures and Encumbrances Exceed Appropriations

Section 5705.41 (B), Ohio Revised Code, prohibits the Village from making expenditure unless it has been properly appropriated. The funds listed below were found to have expenditures exceeding appropriations for 2008 and 2007:

		Appropriations	Expenditures plus Encumbrances	Variance
2008 Fund				
Capital Projects:				
Water Treatment Plant Fund		\$ 3,000,000	\$ 4,052,761	\$ (1,052,761)
2007 Fund				
Capital Projects:				
Sewer Plant Construction Fund		\$ 3,309,000	\$ 4,973,844	\$ (1,664,844)

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

**VILLAGE OF MIDDLEFIELD
 GEAUGA COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2008 AND 2007**

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

Finding Number: 2008-Middlefield-02 – Noncompliance Citation (Continued)

Client Response:

The Village will monitor budgetary activity more closely. The amount of revenue and expenditures for 2007 and 2008 were equal. The fiscal officer was combating an ongoing illness at the end of 2008 which ultimately resulted in hospitalization and feels this is the cause for failing to enter these amendments.

Finding Number: 2008-Middlefield-03 – Noncompliance Citation

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." Contrary to this requirement, the appropriations exceeded the available resources for the following fund in 2008:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Capital Projects-Water Plant Construction	\$ -	\$ 3,000,000	\$ (3,000,000)
Capital Projects-Sewer Plant Construction	-	1,000,000	(1,000,000)

Prior to the Council authorizing the original appropriations or approving any amendments, we recommend that management and the Council compare proposed appropriations to the Certificate of Estimated Resources.

Client Response:

The fiscal officer was combating an ongoing illness at the end of 2008 which ultimately resulted in hospitalization and feels this is the cause for failing to enter this amendment. The Village will monitor budgetary activity more closely.

VILLAGE OF MIDDLEFIELD
 GEAUGA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10- Disclose the current year finding in this schedule
2006-Middlefield-01	Material Weakness- Adjustments to Financial Statements required.	No	Not Corrected, repeated as Item 2008-Middlefield-01



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 17, 2009**