



Dave Yost • Auditor of State



VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Midvale  
Tuscarawas County  
3111 Barnhill Road  
P.O. Box 227  
Midvale, Ohio 44653

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Midvale, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Basis for Qualified Opinion***

We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts in the General Fund for the year ended December 31, 2012. These receipts totaled \$12,808 which is 4% of total General Fund receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Midvale, Tuscarawas County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Village's Mayor's Court activity was reflected in the General Fund rather than in a Special Revenue Fund. The fund balance at January 1, 2012 has been restated accordingly.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

May 1, 2014

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**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$11,041	\$34,951		\$45,992
Municipal Income Tax	223,495			223,495
Intergovernmental	14,213	76,655		90,868
Charges for Services	5,009	4,685		9,694
Fines, Licenses and Permits	10,279			10,279
Royalties		825		825
Earnings on Investments	42			42
Miscellaneous	1,635	1,422	\$72	3,129
<i>Total Cash Receipts</i>	<u>265,714</u>	<u>118,538</u>	<u>72</u>	<u>384,324</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	58,192			58,192
Leisure Time Activities	9,562	2,130		11,692
Basic Utility Services	10,556	10,227		20,783
Transportation		88,648		88,648
General Government	141,031			141,031
Capital Outlay			2,596	2,596
<i>Total Cash Disbursements</i>	<u>219,341</u>	<u>101,005</u>	<u>2,596</u>	<u>322,942</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>46,373</u>	<u>17,533</u>	<u>(2,524)</u>	<u>61,382</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	4,354			4,354
Other Financing Uses	(4,354)			(4,354)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	46,373	17,533	(2,524)	61,382
<i>Fund Cash Balances, January 1</i>	<u>110,218</u>	<u>100,242</u>	<u>10,103</u>	<u>220,563</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		114,821		114,821
Committed		2,954	7,579	10,533
Assigned	45,477			45,477
Unassigned (Deficit)	111,114			111,114
<i>Fund Cash Balances, December 31</i>	<u>\$156,591</u>	<u>\$117,775</u>	<u>\$7,579</u>	<u>\$281,945</u>

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$250,445
<i>Total Operating Cash Receipts</i>	250,445
<b>Operating Cash Disbursements</b>	
Personal Services	36,843
Employee Fringe Benefits	13,324
Contractual Services	144,995
Supplies and Materials	44,429
Other	2,700
<i>Total Operating Cash Disbursements</i>	242,291
<i>Operating Income</i>	8,154
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments (proprietary funds only)	62
Miscellaneous Receipts	5,690
Capital Outlay	(217)
Principal Retirement	(14,150)
Interest and Other Fiscal Charges	(7,112)
<i>Total Non-Operating Receipts (Disbursements)</i>	(15,727)
<i>Net Change in Fund Cash Balances</i>	(7,573)
<i>Fund Cash Balances, January 1</i>	197,973
<i>Fund Cash Balances, December 31</i>	\$190,400

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$11,424	\$37,059		\$48,483
Municipal Income Tax	170,430			170,430
Intergovernmental	18,015	72,862		90,877
Charges for Services	3,077	5,345		8,422
Fines, Licenses and Permits	3,607			3,607
Rent	90,942			90,942
Royalties	0	595		595
Earnings on Investments	35			35
Miscellaneous	12,808	1,030	\$949	14,787
<i>Total Cash Receipts</i>	<u>310,338</u>	<u>116,891</u>	<u>949</u>	<u>428,178</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	58,256			58,256
Leisure Time Activities	8,210	1,420		9,630
Basic Utility Services	2,490	18,287		20,777
Transportation		66,212		66,212
General Government	164,699			164,699
Capital Outlay		1,200	2,970	4,170
<i>Total Cash Disbursements</i>	<u>233,655</u>	<u>87,119</u>	<u>2,970</u>	<u>323,744</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>76,683</u>	<u>29,772</u>	<u>(2,021)</u>	<u>104,434</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	1,599			1,599
Other Financing Uses	(1,599)			(1,599)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	76,683	29,772	(2,021)	104,434
<i>Fund Cash Balances, January 1 - Restated, Note 2</i>	<u>33,535</u>	<u>70,470</u>	<u>12,124</u>	<u>116,129</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		96,600		96,600
Committed		3,642	10,103	13,745
Assigned	5,997			5,997
Unassigned (Deficit)	104,221			104,221
<i>Fund Cash Balances, December 31</i>	<u>\$110,218</u>	<u>\$100,242</u>	<u>\$10,103</u>	<u>\$220,563</u>

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

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

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$247,913
<i>Total Operating Cash Receipts</i>	247,913
<b>Operating Cash Disbursements</b>	
Personal Services	42,408
Employee Fringe Benefits	15,434
Contractual Services	135,939
Supplies and Materials	56,219
<i>Total Operating Cash Disbursements</i>	250,000
<i>Operating (Loss)</i>	(2,087)
<b>Non-Operating Receipts (Disbursements)</b>	
Earnings on Investments (proprietary funds only)	84
Miscellaneous Receipts	1,589
Capital Outlay	(415)
Principal Retirement	(13,941)
Interest and Other Fiscal Charges	(7,322)
<i>Total Non-Operating Receipts (Disbursements)</i>	(20,005)
<i>Net Change in Fund Cash Balances</i>	(22,092)
<i>Fund Cash Balances, January 1</i>	220,065
<i>Fund Cash Balances, December 31</i>	\$197,973

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Midvale, Tuscarawas County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water utilities, park operations, street maintenance, fire protection services and police services.

The Village participates in one jointly governed organization, the Tuscarawas County Tax Incentive Review Council. Note 10 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

All deposits are held in checking and savings accounts.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

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

Street Levy Fund - This fund receives property tax money for constructing, maintaining, and repairing Village streets.

**3. Capital Projects Fund**

This fund accounts for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Projects Fund:

Library Building and Startup - This fund accounts for transfers from the General Fund and donations to be used for the construction of a library within the Village.

**6. Enterprise Funds**

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

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

Trash Fund - This fund receives charges for services from residents to cover refuse collection.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end..

**2. Estimated Resources**

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

**F. Fund Balance**

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

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**2. Restatement of Fund Balance**

The Law Enforcement Trust Fund received unrestricted fines and forfeiture revenue from the Mayor's Court. This revenue and related disbursements was required to be reported into the General Fund. However, it was previously reported in the Special Revenue Funds. The beginning balances of the General Fund and Special Revenue Funds were restated at January 1, 2012 as shown below:

	General Fund's Balance	Special Revenue Funds' Balance
January 1, 2012 Fund Balances as Reported:	\$31,109	\$72,896
<b>Adjustment:</b>		
January 1, 2012 Law Enforcement Trust Fund Balance:	2,426	(2,426)
Restated January 1, 2012 Fund Balance:	\$33,535	\$70,470

**3. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$472,345	\$418,536

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



**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and December 31, 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$196,600	\$270,068	\$73,468
Special Revenue	115,740	118,538	2,798
Capital Projects	2,730	72	(2,658)
Enterprise	243,848	256,197	12,349
Total	\$558,918	\$644,875	\$85,957

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$224,534	\$223,695	\$839
Special Revenue	124,322	101,005	23,317
Capital Projects	2,833	2,596	237
Enterprise	279,435	263,770	15,665
Total	\$631,124	\$591,066	\$40,058

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$221,413	\$311,937	\$90,524
Special Revenue	96,534	116,891	20,357
Capital Projects	0	949	949
Enterprise	244,112	249,586	5,474
Total	\$562,059	\$679,363	\$117,304

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$250,551	\$235,254	\$15,297
Special Revenue	103,528	87,119	16,409
Capital Projects	3,025	2,970	55
Enterprise	278,112	271,678	6,434
Total	\$635,216	\$597,021	\$38,195

**5. Property Tax**

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

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Property Tax (Continued)**

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

**6. Local Income Tax**

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 of the Village.

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

**7. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$463,533	1.5%

The Ohio Water Development Authority (OWDA) loan relates to the purchase of the Village of Roswell's water system. The OWDA issued a loan for \$512,147 to the Village for this purchase. The Village will repay the loan in semiannual installment, beginning January 1, 2011. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OWDA Loan
2014	\$21,263
2015	21,263
2016	21,263
2017	21,263
2018	21,263
2019-2023	106,313
2024-2028	106,313
2029-2033	106,313
2034-2038	106,313
2039-2040	31,891
Total	\$563,458

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OP&F participants contributed 10% of their wages. As of July 1, 2013, OP&F participants began to contribute 10.75%. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**10. Jointly Governed Organization**

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the Village's continued participation and no measurable equity interest exists.

During 2013 and 2012, no monies were paid to the TCTIRC from the Village.

The Village does not retain an ongoing financial interest or an ongoing financial responsibility with the TCTIRC.

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# Dave Yost • Auditor of State

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

Village of Midvale  
Tuscarawas County  
3111 Barnhill Road  
P.O. Box 227  
Midvale, Ohio 44653

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Midvale, Tuscarawas County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 1, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, the Village's cash fund balance at January 1, 2012 was restated to account for Mayor's Court activity in the General Fund and General Fund 2012 miscellaneous receipts could not be audited due to a lack of supporting documentation.

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2013-001, 2013-002, and 2013-004 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-003 described in the accompanying Schedule of Findings to be a significant deficiency.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2013-004 and 2013-005.

### ***Entity's Response to Findings***

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.

### ***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

May 1, 2014

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2013-001**

**Financial Reporting – Material Weakness**

Errors were noted in the Village's financial statements that required audit adjustments and reclassifications as follows:

- The Village created a Mayor's Court and accounted for the activity in a special revenue fund. Fines paid to the City of New Philadelphia and various State agencies were remitted from this special revenue fund throughout the year, and fines due the Village were expended from the special revenue fund and deposited into the Village's Law Enforcement Trust Fund at December 31. However, the Mayor's Court should be reported within the General Fund. Mayor's Court receipts collected that are due the Village should be recorded as Fines, Licenses and Fees. Mayor's Court receipts collected and remitted to the City of New Philadelphia and State agencies should be recorded as Other Financing Sources and Other Financing Uses, respectively. As a result, monies due the Village totaling \$8,965 and \$3,358 in Fines, Licenses and Fees were improperly recorded in the Law Enforcement Trust Fund that should have been recorded in the General Fund in 2013 and 2012, respectively. Additionally, the Mayor's Court monies due the state and county during 2013 and 2012 totaling \$4,354 and \$1,599, respectively, should have been recorded in the General Fund as Other Financing Sources and recorded as an Other Financing Use when remitted.
- The Village improperly classified the fund balances of the Parks and Recreation Special Revenue Fund and the Library Building Capital Projects Fund as "Restricted" instead of "Committed." Fund balances are classified as Nonexpendable, Restricted, Committed, Assigned or Unassigned based upon designations imposed on revenue received in those funds. Fund balances are only Restricted when an entity external to the Village, such as the State of Ohio, Federal Awarding Agency, debt issuer, etc., impose restrictions. The Parks and Recreation Fund was funded through various charges for services and the Library Building Fund was funded through a transfer from the General Fund. As there were no external restrictions and as the limited use of revenue was imposed by Village Council, related fund balances should be reported as "Committed." As a result, Parks and Recreation Fund balances of \$2,955 and \$3,642 were improperly classified in 2013 and 2012, respectively. Library Building Fund balances of \$7,579 and \$10,103 was improperly classified in 2013 and 2012, respectively.
- The Village improperly classified a portion of the General Fund balance as Unassigned instead of Assigned in 2013 and 2012. General Fund assigned balances can be the result of having outstanding encumbrances at year end or the portion of the General Fund ending balance that is used to provide for subsequent year appropriations not covered by subsequent year estimated revenue on the first Certificate of Estimate Resources. While the Village did not have any outstanding encumbrances, subsequent year appropriations exceeded subsequent year estimated revenue by \$45,477 and \$5,997 for 2014 and 2013, respectively. As a result, the ending General Fund balances should have been reported as \$45,477 and \$5,997 for 2013 and 2012, respectively.
- The Village received \$90,942 in revenue towards the lease of land. This amount was classified as "Other Financing Sources" instead of "Rent."

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2013-001 (Continued)**

**Financial Reporting – Material Weakness (Continued)**

As a result, the Village's financial statements were not accurately or materially stated.

Sound financial reporting is the responsibility of the Village and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures to identify and correct errors and omissions. The Village should also refer to the UAN Accounting Training manual for additional guidance in recording receipts and expenditures in the UAN System. In addition, the Village should review the financial statements and notes prior to submission for audit.

The Village's financial statements and computer system has been adjusted accordingly.

**Officials' Response:** The Mayors Court Fund and Law Enforcement Trust Fund have been eliminated and all revenue and appropriations have been entered into the General Fund. The UAN software will not allow reclassifying of funds prior to the 2014 yearend update. The items regarding fund classification will be changed at that time.

**Finding Number 2013-002**

**Miscellaneous Revenue - Material Weakness**

During 2012, the Village was assigned the financial responsibilities for several festivals held in the community. During the festivals, the Village collected receipts from many different activities (i.e., rummage sale, 50/50 raffle, sponsor donations). Although the Village maintained ledgers to show the revenue, expenses, and profit/loss associated with each activity, the Village did not maintain documentation to support the receipts collected totaling \$10,069.

As a result, sufficient evidence did not exist to support this reported revenue on the financial statements.

Evidence to help support miscellaneous revenue could include:

- List of vendors showing the amount collected and a copy of the check;
- Use of duplicate receipts;
- List of sponsor donations showing the amount collected and/or a copy of the check;
- Ticket log showing the number of tickets sold with the beginning ticket number, ending ticket number, total tickets sold, and price per ticket.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to help ensure the information provided to the readers of the financial statements is complete and accurate.

The Village should implement procedures to help ensure that proper documentation is maintained to support festival receipts collected by the Village. This will help ensure sufficient evidence exists to support all account balances reported on the financial statements as well as reduce the risk that festival receipts could be misappropriated.



**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2013-002 (Continued)**

**Miscellaneous Revenue – Material Weakness (Continued)**

**Officials' Response:** The Village is not hosting this festival. It is now run by a private organization. In the future if such an event is held, the suggestions made in this finding will be reviewed and implemented.

**Finding Number 2013-003**

**Utility Billing – Significant Deficiency**

The Village provides water to the residents of the Village of Midvale, Village of Roswell, Village of Barnhill and areas outside of the corporation limits of each Village. The Village charged consumers with either a flat rate or metered rate per gallon consumed depending on the area serviced and the rates approved through Village ordinances and resolutions. All rates were entered into the Village's Utility Billing Software which generated the water bills each month.

Metered consumers were charged water rates based upon billing tiers. Metered rates charged to the consumers living in, or just outside the corporation limits, the Village of Midvale were approved at a quarterly billing rate. During 2011, the Village began charging consumers monthly instead of quarterly. The Village changed the rates in their billing system converting to monthly rates by dividing the quarterly rates by three. However, the only billing rate for the first tier of consumers (users using between 0 and 9,000 gallons of water) were entered correctly. Rates entered into the Utility Billing System for remaining tiers of service (9,001 to 30,000 gallons, 30,001 to 75,000 gallons, 75,001 to 150,000 gallons, 150,001 to 300,000 gallons, 300,001 through all remaining gallons consumed) were not in agreement with Village ordinances, after converting quarterly rates to monthly.

When the Village of Midvale started providing services to the Village of Roswell, metered rates were to be charged based upon ordinances approved by the Village of Roswell. However, only the billing rate for the first tier of consumers (users using between 0 and 3,000 gallons of water) were entered correctly. Rates entered into the Utility Billing System for remaining tiers of service (3,001 to 7,000 gallons, 7,001 to 12,000 gallons, 12,001 through all remaining gallons consumed) were not in agreement with Village of Roswell ordinances.

As a result, metered users consuming water in excess of the first billing tier in the Village of Midvale, Village of Roswell and areas outside of these corporation limits were charged rates other than the approved rates. Fifteen billings tested were incorrectly calculated in 2013 and 2012. Of these, the actual charge for 14 bills were more than what should have been charged and one bill was less than what should have been charged. For these billings, the Village charged an aggregate of \$144 more than allowed per ordinance. A projected error was calculated over the total population of water billings and determined the Village could have potentially charged \$20,826 more than allowed to users for the two years under audit.

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2013-003 (Continued)**

**Utility Billing – Significant Deficiency (Continued)**

The Village should review their metered rates and re-approve rates at the monthly billing level. Upon approval, the Village should review all rates entered into the Utility Billing Software program to help ensure rates entered into the system agree to the approved Village ordinances. Also, Village Council should assess the impact of the error and determine a plan as to how the Village will correct this error (i.e., reimburse the affected customers). This will help ensure water customers are charged correctly and the Village is not collecting more or less than what should be collected.

**Officials’ Response:** The Water Board has passed a motion to address these issues and new procedures are in place.

**Finding Number 2013-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(C) requires all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

The Village received personal property tax and homestead and rollback deduction reimbursements from the State. Homestead and rollback reimbursements were to be split between the Village's General Fund and Street Levy Fund. Personal property tax reimbursements were received for fixed-sum and fixed-rate levies only. The Village's only fixed levy is the Street Levy. All personal property tax reimbursement should be reported in the Street Levy Fund. The Village reported \$9,242 and \$7,067 in tax reimbursements in the General Fund that should have been reported in the Street Levy Fund in 2012 and 2013, respectively. Additionally, Ohio Rev. Code §§ 5727.84(G) and (H) requires the Ohio Department of Taxation to remit kilowatt-hour tax revenue to political subdivisions, including villages, kilowatt-hour tax revenue determined on either its fixed-rate or fixed-sum levy. The only levy receiving kilowatt-tax revenue was the Street levy. The Village reported \$51 and \$45 in kilowatt-tax revenue to the General Fund instead of the Street Levy Fund in 2012 and 2013, respectively.

The Village should review applicable tax laws and settlement sheets received from the County Auditor. Revenue should be posted as required by the applicable tax law/tax settlement. This will help ensure revenue is received and used for only allowable uses.

The financial statements have been adjusted accordingly.

**Officials’ Response:** The posting of rollbacks and kilowatt-tax has been changed and will be properly posted in the future.

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2013-005**

**Noncompliance**

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2013 and 2012, 41% of purchase orders tested were not certified by the Fiscal Officer prior to incurring the obligation. The transaction had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance. Additionally, one purchase order tested was not signed by the Fiscal Officer.

VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)

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

Finding Number 2013-005 (Continued)

**Noncompliance - Ohio Rev. Code § 5705.41(D) (Continued)**

The Fiscal Officer should certify purchases to which Ohio Rev. Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should also sign the certification prior to the Village incurring a commitment, and only when the requirements of Ohio Rev. Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:** The Fiscal Officer will be using the appropriate purchase order and expenses will be certified by the Fiscal Officer prior to the expense.

**VILLAGE OF MIDVALE  
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Debt Principal and Interest Disbursements – Debt transactions were not properly classified on the Financial Statements.	Yes	
2011-002	Ohio Rev. Code § 5705.41(B) – Fund expenditures exceeded appropriations.	Yes	
2011-003	Ohio Rev. Code § 5705.39 – Fund appropriations exceeded estimated resources.	Yes	
2011-004	Ohio Admin. Code § 117-2-02 – Records were not properly maintained for the Mayor’s Court.	Yes	

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# Dave Yost • Auditor of State

**VILLAGE OF MIDVALE**

**TUSCARAWAS 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  
MAY 13, 2014**