

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY, OHIO**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

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

VILLAGE OF MIDDLEFIELD
 GEAUGA COUNTY
 AUDIT REPORT
 For the years ended December 31, 2010 and 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, 2010 and 2009 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 modified 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, 2010 and 2009 and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and the Income Tax Fund, thereof for the years then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis 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 August 16, 2011 on our consideration of the Village of Middlefield, Geauga County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

Charles E. Harris & Associates, Inc.

August 16, 2011

Village of Middlefield
Geauga County
Management's Discussion and Analysis
For the Years Ended December 31, 2010 and 2009
(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, 2010 and 2009, within the limitations of the Village's modified 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 2010 and 2009 are as follows:

- This annual report is presented on the modified cash basis of accounting.
- During 2009 the Village had a \$109,290 drawdown on the Ohio Water Development Authority loan which was used for the water treatment expansion.
- For governmental activities, 2010 and 2009 net assets were \$3,402,485 and \$3,678,463, respectively. For business-type activities, 2010 and 2009 net assets were \$1,192,808 and \$978,805, respectively.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting. The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

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.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Village of Middlefield
Geauga County
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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 2010 and 2009, within the limitations of modified 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 kinds 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.
- 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 analyses of the Village's major funds are on pages 15, 16, 24 and 25. 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, sewer capital improvement, new well capital improvement fund and water treatment plant improvement (2009).

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 modified 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 modified 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.

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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 2010 compared to 2009 and 2009 compared to 2008 on the modified cash basis:

Table 1

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Assets						
Cash and investments	\$ 3,402,485	\$ 3,678,463	\$ 1,192,808	\$ 978,805	\$ 4,595,293	\$ 4,657,268
Total assets	<u>3,402,485</u>	<u>3,678,463</u>	<u>1,192,808</u>	<u>978,805</u>	<u>4,595,293</u>	<u>4,657,268</u>
Net Assets						
Restricted for:						
Capital projects	1,192,620	1,103,681	-	-	1,192,620	1,103,681
Other purposes	2,103,733	2,474,855	-	-	2,103,733	2,474,855
Unrestricted	<u>106,132</u>	<u>99,927</u>	<u>1,192,808</u>	<u>978,805</u>	<u>1,298,940</u>	<u>1,078,732</u>
Total net assets	<u>\$ 3,402,485</u>	<u>\$ 3,678,463</u>	<u>\$ 1,192,808</u>	<u>\$ 978,805</u>	<u>\$ 4,595,293</u>	<u>\$ 4,657,268</u>

For governmental activities, net assets decreased \$275,978 in 2010, which represents an 8 percent decrease from 2009.

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Table 2

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Cash and investments	\$ 3,678,463	\$ 3,912,859	\$ 978,805	\$ 1,432,453	\$ 4,657,268	\$ 5,345,312
Total assets	<u>3,678,463</u>	<u>3,912,859</u>	<u>978,805</u>	<u>1,432,453</u>	<u>4,657,268</u>	<u>5,345,312</u>
Net Assets						
Restricted for:						
Capital projects	1,103,681	1,060,789	-	-	1,103,681	1,060,789
Other purposes	2,474,855	2,737,078	-	-	2,474,855	2,737,078
Unrestricted	<u>99,927</u>	<u>114,992</u>	<u>978,805</u>	<u>1,432,453</u>	<u>1,078,732</u>	<u>1,547,445</u>
Total net assets	<u>\$ 3,678,463</u>	<u>\$ 3,912,859</u>	<u>\$ 978,805</u>	<u>\$ 1,432,453</u>	<u>\$ 4,657,268</u>	<u>\$ 5,345,312</u>

For governmental activities, net assets decreased \$234,396 in 2009, which represents a 6 percent decrease from 2008.

For an explanation of significant variances, see tables 3 and 4 below. The tables below show the net changes in net assets for 2010 and 2009 and the changes in net assets for 2009 and 2008.

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Table 3

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Receipts:						
Program receipts:						
Charges for services and sales	\$ 290,909	\$ 244,047	\$ 1,202,968	\$ 1,040,410	\$ 1,493,877	\$ 1,284,457
Operating grants and contributions	158,578	146,236	-	-	158,578	146,236
General receipts:						
Municipal income taxes	2,221,409	2,428,629	-	-	2,221,409	2,428,629
Property taxes	586,028	545,545	-	-	586,028	545,545
Grants and entitlements	122,618	175,931	-	-	122,618	175,931
Sale of capital assets	-	90,431	-	-	-	90,431
Interest	15,144	34,886	-	53	15,144	34,939
Proceeds of OWDA loan	-	-	-	109,290	-	109,290
Miscellaneous	40,111	71,112	-	-	40,111	71,112
Transfers	<u>10,979</u>	<u>(7,150)</u>	<u>(10,979)</u>	<u>7,150</u>	<u>-</u>	<u>-</u>
Total receipts	<u>3,445,776</u>	<u>3,729,667</u>	<u>1,191,989</u>	<u>1,156,903</u>	<u>4,637,765</u>	<u>4,886,570</u>
Disbursements:						
Current:						
General government	720,120	643,815	-	-	720,120	643,815
Security of persons and property	1,206,685	1,207,394	-	-	1,206,685	1,207,394
Public health services	24,131	29,669	-	-	24,131	29,669
Leisure time activities	262,205	305,239	-	-	262,205	305,239
Community environment	53,467	74,024	-	-	53,467	74,024
Basic utility services	71,759	153,681	-	-	71,759	153,681
Transportation	273,691	829,130	-	-	273,691	829,130
Capital outlay	64,669	145,425	-	-	64,669	145,425
Debt service:						
Principal retirement	906,736	504,512	-	-	906,736	504,512
Interest and fiscal charges	138,291	71,174	-	-	138,291	71,174
Water	-	-	426,938	427,719	426,938	427,719
Sewer	-	-	551,048	536,092	551,048	536,092
Sewer Capital Improvement	-	-	-	300,235	-	300,235
New Well Capital Improvement	-	-	-	50,000	-	50,000
Water Treatment Plant	-	-	-	296,505	-	296,505
Total disbursements	<u>3,721,754</u>	<u>3,964,063</u>	<u>977,986</u>	<u>1,610,551</u>	<u>4,699,740</u>	<u>5,574,614</u>
Change in net assets	<u>\$ (275,978)</u>	<u>\$ (234,396)</u>	<u>\$ 214,003</u>	<u>\$ (453,648)</u>	<u>\$ (61,975)</u>	<u>\$ (688,044)</u>

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Table 4

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Receipts:						
Program receipts:						
Charges for services and sales	\$ 244,047	\$ 209,777	\$ 1,040,410	\$ 997,084	\$ 1,284,457	\$ 1,206,861
Operating grants and contributions	146,236	130,635	-	-	146,236	130,635
General receipts:						
Municipal income taxes	2,428,629	2,941,935	-	-	2,428,629	2,941,935
Property taxes	545,545	584,343	-	-	545,545	584,343
Grants and entitlements	175,931	120,587	-	-	175,931	120,587
Sale of capital assets	90,431	-	-	-	90,431	-
Interest	34,886	119,945	53	-	34,939	119,945
Proceeds of OWDA loans	-	-	109,290	4,370,962	109,290	4,370,962
Miscellaneous	71,112	79,722	-	8,893	71,112	88,615
Transfers	(7,150)	(22,689)	7,150	22,689	-	-
Total receipts	<u>3,729,667</u>	<u>4,164,255</u>	<u>1,156,903</u>	<u>5,399,628</u>	<u>4,886,570</u>	<u>9,563,883</u>
Disbursements:						
Current:						
General government	643,815	600,337	-	-	643,815	600,337
Security of persons and property	1,207,394	1,262,024	-	-	1,207,394	1,262,024
Public health services	29,669	39,357	-	-	29,669	39,357
Leisure time activities	305,239	396,197	-	-	305,239	396,197
Community environment	74,024	58,597	-	-	74,024	58,597
Basic utility services	153,681	198,358	-	-	153,681	198,358
Transportation	829,130	482,357	-	-	829,130	482,357
Capital outlay	145,425	348,881	-	-	145,425	348,881
Debt service:						
Principal retirement	504,512	406,579	-	-	504,512	406,579
Interest and fiscal charges	71,174	-	-	-	71,174	-
Water	-	-	427,719	507,944	427,719	507,944
Sewer	-	-	536,092	504,028	536,092	504,028
Sewer Capital Improvement	-	-	300,235	541,594	300,235	541,594
New Well Capital Improvement	-	-	50,000	7,940	50,000	7,940
Water Emergency	-	-	-	64	-	64
Water Treatment Plant	-	-	296,505	4,084,913	296,505	4,084,913
Total disbursements	<u>3,964,063</u>	<u>3,792,687</u>	<u>1,610,551</u>	<u>5,646,483</u>	<u>5,574,614</u>	<u>9,439,170</u>
Change in net assets	<u>\$ (234,396)</u>	<u>\$ 371,568</u>	<u>\$ (453,648)</u>	<u>\$ (246,855)</u>	<u>\$ (688,044)</u>	<u>\$ 124,713</u>

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In 2010, general receipts accounted for \$2,985,310 in revenue or 87 percent of all governmental receipts (excluding transfers). Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$449,487 or 13 percent of total governmental revenues of \$3,434,797. In 2009, general receipts accounted for \$3,346,534 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 \$390,283 or 10 percent of total governmental revenues of \$3,736,817. Large debt payments started in 2009 due to the water treatment plant upgrades.

In 2010, the Village had \$3,721,754 in expenses related to governmental activities; only \$449,487 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$2,985,310 were adequate to provide for these programs. In 2009, the Village had \$3,964,063 in expenses related to governmental activities; only \$390,283 of these expenses were offset by program specific charges for services, grants or contributions. General receipts (primarily municipal taxes) of \$3,346,534, and carry over balances were not adequate to provide for these programs.

In 2010, for Business-Type activities, program revenues were \$1,202,968. These offset expenses of \$977,986. In 2009, for Business-Type activities, program revenues were \$1,040,410. These offset expenses of \$1,610,551. Significant activity occurred in 2009 due to the water treatment plant upgrades.

Governmental Activities

In 2010, net assets of the Village's governmental activities decreased by \$275,978. The governmental expenses of \$3,721,754 were primarily offset by program revenues of \$449,487, general revenues of \$2,985,310 and the prior year cash balance. Program revenues supported 13% of the total governmental activities.

In 2010, the primary sources of revenue for governmental activities are derived from property taxes, and income taxes. These two revenue sources represent 94% of total general revenue.

In 2009, net assets of the Village's governmental activities decreased by \$234,396. The governmental expenses of \$3,964,063 were primarily offset by program revenues of \$390,283, general revenues of \$3,346,534 and the prior year cash balance. Program revenues supported 10% of the total governmental activities.

In 2009, 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.

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 2010 and 2009. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlements.

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Table 5
Total Cost and Net Cost of Program Services

Program Service	Governmental Activities 2010		Business-Type Activities 2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 720,120	\$ (644,453)	\$ -	\$ -
Security of persons and property	1,206,685	(1,067,076)	-	-
Public health services	24,131	(9,034)	-	-
Leisure time activities	262,205	(194,888)	-	-
Community environment	53,467	(53,467)	-	-
Basic utility services	71,759	(53,574)	-	-
Transportation	273,691	(140,079)	-	-
Capital outlay	64,669	(64,669)	-	-
Debt service:				
Principal retirement	906,736	(906,736)	-	-
Interest and fiscal charges	138,291	(138,291)	-	-
Water	-	-	426,938	130,959
Sewer	-	-	551,048	94,014
Sewer Capital Improvement	-	-	-	9
Total disbursements	\$ 3,721,754	\$ (3,272,267)	\$ 977,986	\$ 224,982

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Table 6
Total Cost and Net Cost of Program Services

Program Service	Governmental Activities 2009		Business-Type Activities 2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General government	\$ 643,815	\$ (598,960)	\$ -	\$ -
Security of persons and property	1,207,394	(1,149,314)	-	-
Public health services	29,669	(18,205)	-	-
Leisure time activities	305,239	(246,219)	-	-
Community environment	74,024	(74,024)	-	-
Basic utility services	153,681	(79,616)	-	-
Transportation	829,130	(686,331)	-	-
Capital outlay	145,425	(145,425)	-	-
Debt service:				
Principal retirement	504,512	(504,512)	-	-
Interest and fiscal charges	71,174	(71,174)	-	-
Water	-	-	427,719	59,335
Sewer	-	-	536,092	17,252
Sewer Capital Improvement	-	-	300,235	(300,235)
New Well Capital Improvement	-	-	50,000	(50,000)
Water Emergency	-	-	-	12
Water Treatment Plant	-	-	296,505	(296,505)
Total disbursements	<u>\$ 3,964,063</u>	<u>\$ (3,573,780)</u>	<u>\$ 1,610,551</u>	<u>\$ (570,141)</u>

For 2010 and 2009, 12 and 10 percent of general government activities were supported through program revenues, respectively. For all governmental activities, general revenue and prior year cash balance support 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 77 and 65 percent of Business-Type activities are supported through these receipts for 2010 and 2009. The infrastructure is beginning to age but the Village has ongoing maintenance projects to upgrade the infrastructure.

The Village's Funds

In 2010, all governmental funds had total revenues of \$3,434,797 and expenditures of \$3,721,754. The net change in fund balance for the year was most significant in the Income Tax Fund, where the fund balance decreased by \$432,888 for 2010.

In 2009, all governmental funds had total revenues of \$3,646,386 and expenditures of \$3,964,063. The net change in fund balance for the year was most significant in the Income Tax Fund, where the fund balance decreased by \$241,198 for 2009.

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In 2010, among major funds, the general fund had \$1,802,424 in revenues and \$1,759,367 in expenditures. The general fund's fund balance increased to \$106,132 from \$99,927. In 2009, among major funds, the general fund had \$1,700,657 in revenues and \$1,657,316 in expenditures. The general fund's fund balance decreased to \$99,927 from \$114,992.

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 funds are the general and the income tax funds.

During the course of 2010 and 2009 the Village amended its general and income tax fund budget a few 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 2010, for the general fund, original and final budget basis revenue and other financing sources was \$1,726,443. Total actual revenues were \$1,802,424. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,796,219, \$25,324 under the final budget of \$1,821,543.

In 2009, for the general fund, budget basis revenue and other financing sources was \$1,730,215, the original estimate was \$1,733,874. Total actual revenues were \$1,700,657. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$1,715,722, \$129,479 under the final budget of \$1,845,201.

In 2010, for the income tax fund, original and final budget basis revenue was \$2,350,000. Total actual revenues were \$2,228,301. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$2,661,189, \$929,573 under the final budget of \$3,590,762.

In 2009, for the income tax fund, original and final budget basis revenue was \$2,350,000. Total actual revenues were \$2,469,774. Total actual expenditures on the budget basis (cash outlays plus encumbrances) were \$2,710,972, \$839,028 under the final budget of \$3,550,000.

Debt Administration

Debt

At December 31, 2010, the Village had \$575,712 in OPWC loans and \$14,731,582 in OWDA loans with \$941,114 due within one year. At December 31, 2009, the Village had \$710,898 in OPWC loans and \$15,531,974 in OWDA loans with \$935,578 due within one year. 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 Tiffany Mekeel, Clerk/Treasurer at 14860 N. State Avenue, Middlefield, Ohio 44062.

Village of Middlefield
Geauga County
Statement of Net Assets - Modified Cash Basis
 December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 1,269,381	\$ 566,889	\$ 1,836,270
Cash in segregated accounts	1,633,104	200,005	1,833,109
Investments	500,000	425,914	925,914
Total assets	3,402,485	1,192,808	4,595,293
Net Assets			
Restricted for:			
Capital projects	1,192,620	-	1,192,620
Other purposes	2,103,733	-	2,103,733
Unrestricted	106,132	1,192,808	1,298,940
Total net assets	\$ 3,402,485	\$ 1,192,808	\$ 4,595,293

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 720,120	\$ 75,667	\$ -	\$ (644,453)	\$ -	\$ (644,453)
Security of persons and property	1,206,685	107,156	32,453	(1,067,076)	-	(1,067,076)
Public health services	24,131	15,097	-	(9,034)	-	(9,034)
Leisure time activities	262,205	58,095	9,222	(194,888)	-	(194,888)
Community environment	53,467	-	-	(53,467)	-	(53,467)
Basic utility services	71,759	18,185	-	(53,574)	-	(53,574)
Transportation	273,691	16,709	116,903	(140,079)	-	(140,079)
Capital outlay	64,669	-	-	(64,669)	-	(64,669)
Debt service:						
Principal retirement	906,736	-	-	(906,736)	-	(906,736)
Interest and fiscal charges	138,291	-	-	(138,291)	-	(138,291)
Total governmental activities	3,721,754	290,909	158,578	(3,272,267)	-	(3,272,267)
Business Type Activity						
Water	426,938	557,897	-	-	130,959	130,959
Sewer	551,048	645,062	-	-	94,014	94,014
Water Emergency	-	9	-	-	9	9
Total business-type activities	977,986	1,202,968	-	-	224,982	224,982
Total government	\$ 4,699,740	\$ 1,493,877	\$ 158,578	(3,272,267)	224,982	(3,047,285)
General Receipts						
Municipal income taxes levied for:						
General purposes				19,740	-	19,740
Security of persons and property				2,201,669	-	2,201,669
Property taxes levied for:						
General purposes				449,072	-	449,072
Security of persons and property				136,956	-	136,956
Grants and entitlements not restricted to specific programs						
				122,618	-	122,618
Interest				15,144	-	15,144
Miscellaneous				40,111	-	40,111
Total general receipts				2,985,310	-	2,985,310
Transfers				10,979	(10,979)	-
Total general receipts and transfers				2,996,289	(10,979)	-
Change in net assets				(275,978)	214,003	(61,975)
Net assets beginning of year				3,678,463	978,805	4,657,268
Net assets end of year				\$ 3,402,485	\$ 1,192,808	\$ 4,595,293

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2010

	General	Income Tax	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 106,132	\$ 55,563	\$ 25,628	\$ 1,082,058	\$ 1,269,381
Cash in segregated accounts	-	1,355,840	200,000	77,264	1,633,104
Investments	-	200,000	300,000	-	500,000
Total assets	\$ 106,132	\$ 1,611,403	\$ 525,628	\$ 1,159,322	\$ 3,402,485
Fund Balances					
Unreserved:					
Undesignated (deficit), reported in:					
General fund	106,132	-	-	-	106,132
Special revenue funds	-	1,611,403	-	492,330	2,103,733
Capital projects funds	-	-	525,628	666,992	1,192,620
Total fund balances	\$ 106,132	\$ 1,611,403	\$ 525,628	\$ 1,159,322	\$ 3,402,485

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2010

	General	Income Tax	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 19,740	\$ 2,201,669	\$ -	\$ -	\$ 2,221,409
Property and other local taxes	449,072	-	-	136,956	586,028
Charges for services	143,214	-	-	79,525	222,739
Fines, licenses and permits	51,141	-	-	6,018	57,159
Intergovernmental	122,618	-	-	122,889	245,507
Gifts and contributions	-	-	-	14,067	14,067
Interest	15,144	-	-	8	15,152
Miscellaneous	1,495	26,632	-	44,609	72,736
Total receipts	802,424	2,228,301	-	404,072	3,434,797
Disbursements					
Current:					
General government	376,169	343,951	-	-	720,120
Security of persons and property	1,060,895	-	-	145,790	1,206,685
Public health services	-	-	-	24,131	24,131
Leisure time activities	111,882	27,188	-	123,135	262,205
Community environment	53,467	-	-	-	53,467
Basic utility services	71,627	-	-	132	71,759
Transportation	85,327	58,784	-	129,580	273,691
Capital outlay	-	36,272	-	28,397	64,669
Debt service:					
Principal retirement	-	898,703	-	8,033	906,736
Interest and fiscal charges	-	138,291	-	-	138,291
Total disbursements	1,759,367	1,503,189	-	459,198	3,721,754
Excess of receipts over (under) disbursements	(956,943)	725,112	-	(55,126)	(286,957)
Other financing sources (uses)					
Transfers in	1,000,000	-	119	220,712	1,220,831
Transfers out	(36,852)	(1,158,000)	-	(15,000)	(1,209,852)
Total other financing sources (uses)	963,148	(1,158,000)	119	205,712	10,979
Net change in fund balance	6,205	(432,888)	119	150,586	(275,978)
Fund balances beginning of year	99,927	2,044,291	525,509	1,008,736	3,678,463
Fund balances end of year	<u>\$ 106,132</u>	<u>\$ 1,611,403</u>	<u>\$ 525,628</u>	<u>\$ 1,159,322</u>	<u>\$ 3,402,485</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
General Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Municipal income taxes	\$ 25,000	\$ 25,000	\$ 19,740	\$ (5,260)
Property and other local taxes	430,102	430,102	449,072	18,970
Charges for services	86,140	86,140	143,214	57,074
Fines, licenses and permits	64,810	64,810	51,141	(13,669)
Intergovernmental	80,341	80,341	122,618	42,277
Interest	40,000	40,000	15,144	(24,856)
Miscellaneous	50	50	1,495	1,445
Total receipts	<u>726,443</u>	<u>726,443</u>	<u>802,424</u>	<u>75,981</u>
Disbursements				
Current:				
General government	376,190	376,190	376,169	21
Security of persons and property	1,081,897	1,081,897	1,060,895	21,002
Leisure time activities	112,386	112,386	111,882	504
Community environment	53,468	53,468	53,467	1
Basic utility services	71,630	71,630	71,627	3
Transportation	89,119	89,119	85,327	3,792
Total disbursements	<u>1,784,690</u>	<u>1,784,690</u>	<u>1,759,367</u>	<u>25,323</u>
Excess of receipts over (under) disbursements	(1,058,247)	(1,058,247)	(956,943)	101,304
Other financing sources (uses)				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(36,853)	(36,853)	(36,852)	1
Total other financing sources (uses)	<u>963,147</u>	<u>963,147</u>	<u>963,148</u>	<u>1</u>
Net change in fund balance	(95,100)	(95,100)	6,205	101,305
Fund balance at beginning of year	99,927	99,927	99,927	-
Fund balance at end of year	<u>\$ 4,827</u>	<u>\$ 4,827</u>	<u>\$ 106,132</u>	<u>\$ 101,305</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
Income Tax Fund
For the Year Ended December 31, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal income taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,201,669	\$ (148,331)
Miscellaneous	-	-	26,632	26,632
Total receipts	<u>2,350,000</u>	<u>2,350,000</u>	<u>2,228,301</u>	<u>(121,699)</u>
Disbursements				
Current:				
General government	364,030	364,030	343,951	20,079
Leisure time activities	105,000	105,000	27,188	77,812
Transportation	619,770	619,770	58,784	560,986
Capital outlay	200,650	200,650	36,272	164,378
Debt service:				
Principal retirement	898,703	898,703	898,703	-
Interest and fiscal charges	144,609	144,609	138,291	6,318
Total disbursements	<u>2,332,762</u>	<u>2,332,762</u>	<u>1,503,189</u>	<u>829,573</u>
Excess of receipts over (under) disbursements	17,238	17,238	725,112	707,874
Other financing sources (uses)				
Transfers out	(1,258,000)	(1,258,000)	(1,158,000)	100,000
Net change in fund balance	<u>(1,240,762)</u>	<u>(1,240,762)</u>	<u>(432,888)</u>	<u>807,874</u>
Fund balance at beginning of year	2,044,291	2,044,291	2,044,291	-
Fund balance at end of year	<u>\$ 803,529</u>	<u>\$ 803,529</u>	<u>\$ 1,611,403</u>	<u>\$ 807,874</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets						
Equity in pooled cash and cash equivalents	\$ 224,421	\$ 147,470	\$ 112,527	\$ 53,763	\$ 28,708	\$ 566,889
Cash in segregated accounts	-	-	200,005	-	-	200,005
Investments	-	-	150,000	225,000	50,914	425,914
Total assets	<u>\$ 224,421</u>	<u>\$ 147,470</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 79,622</u>	<u>\$ 1,192,808</u>
Net assets						
Unrestricted	<u>224,421</u>	<u>147,470</u>	<u>462,532</u>	<u>278,763</u>	<u>79,622</u>	<u>1,192,808</u>
Total net assets	<u>\$ 224,421</u>	<u>\$ 147,470</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 79,622</u>	<u>\$ 1,192,808</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2010

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts						
Charges for services	\$ 551,126	\$ 638,932	\$ -	\$ -	\$ -	\$ 1,190,058
Other operating receipts	6,771	6,130	-	-	9	12,910
Total operating receipts	<u>557,897</u>	<u>645,062</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>1,202,968</u>
Operating Disbursements						
Personal services	246,011	248,117	-	-	-	494,128
Travel and transportation	69	69	-	-	-	138
Contractual services	107,072	250,661	-	-	-	357,733
Supplies and materials	42,125	52,115	-	-	-	94,240
Miscellaneous	80	86	-	-	-	166
Total operating disbursements	<u>395,357</u>	<u>551,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>946,405</u>
Operating income (loss)	162,540	94,014	-	-	9	256,563
Non-operating receipts (disbursements)						
Capital outlay	(2,739)	-	-	-	-	(2,739)
Principal retirement	(28,842)	-	-	-	-	(28,842)
Total non-operating receipts and disbursements	<u>(31,581)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,581)</u>
Income (loss) before transfers	130,959	94,014	-	-	9	224,982
Transfers						
Transfers in	5,021	-	-	-	-	5,021
Transfers out	(15,500)	(500)	-	-	-	(16,000)
Change in net assets	120,480	93,514	-	-	9	214,003
Net assets beginning of year	103,941	53,956	462,532	278,763	79,613	978,805
Net assets end of year	<u>\$ 224,421</u>	<u>\$ 147,470</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 79,622</u>	<u>\$ 1,192,808</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2010

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 30,011
Investments	<u>153,648</u>
Total assets	<u>183,659</u>
Net Assets	
Restricted for:	
Deposits	<u>\$ 183,659</u>
Total net assets	<u>\$ 183,659</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Net Assets - Modified Cash Basis
December 31, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and cash equivalents	\$ 1,545,561	\$ 352,887	\$ 1,898,448
Cash in segregated accounts	1,632,902	425,918	2,058,820
Investments	500,000	200,000	700,000
Total assets	3,678,463	978,805	4,657,268
Net Assets			
Restricted for:			
Capital projects	1,103,681	-	1,103,681
Other purposes	2,474,855	-	2,474,855
Unrestricted	99,927	978,805	1,078,732
Total net assets	\$ 3,678,463	\$ 978,805	\$ 4,657,268

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2009

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General government	\$ 643,815	\$ 44,855	\$ -	\$ (598,960)	\$ -	\$ (598,960)
Security of persons and property	1,207,394	28,432	29,648	(1,149,314)	-	(1,149,314)
Public health services	29,669	11,464	-	(18,205)	-	(18,205)
Leisure time activities	305,239	53,929	5,091	(246,219)	-	(246,219)
Community environment	74,024	-	-	(74,024)	-	(74,024)
Basic utility services	153,681	74,065	-	(79,616)	-	(79,616)
Transportation	829,130	31,302	111,497	(686,331)	-	(686,331)
Capital outlay	145,425	-	-	(145,425)	-	(145,425)
Debt service:						
Principal retirement	504,511	-	-	(504,511)	-	(504,511)
Interest and fiscal charges	71,175	-	-	(71,175)	-	(71,175)
Total governmental activities	<u>3,964,063</u>	<u>244,047</u>	<u>146,236</u>	<u>(3,573,780)</u>	<u>-</u>	<u>(3,573,780)</u>
Business Type Activity						
Water	427,719	487,054	-	-	59,335	59,335
Sewer	536,092	553,344	-	-	17,252	17,252
Sewer Capital Improvement	300,235	-	-	-	(300,235)	(300,235)
New Well Capital Improvement	50,000	-	-	-	(50,000)	(50,000)
Water Emergency	-	12	-	-	12	12
Water Treatment Plant	296,505	-	-	-	(296,505)	(296,505)
Total business-type activities	<u>1,610,551</u>	<u>1,040,410</u>	<u>-</u>	<u>-</u>	<u>(570,141)</u>	<u>(570,141)</u>
Total government	<u>\$ 5,574,614</u>	<u>\$ 1,284,457</u>	<u>\$ 146,236</u>	<u>(3,573,780)</u>	<u>(570,141)</u>	<u>(4,143,921)</u>
General Receipts						
Municipal income taxes levied for:						
General purposes				28,001	-	28,001
Security of persons and property				2,400,628	-	2,400,628
Property taxes levied for:						
General purposes				414,795	-	414,795
Security of persons and property				130,750	-	130,750
Grants and entitlements not restricted to specific programs				175,931	-	175,931
OWDA loan				-	109,290	109,290
Sale of capital assets				90,431	-	90,431
Interest				34,886	53	34,939
Miscellaneous				71,112	-	71,112
Total general receipts				<u>3,346,534</u>	<u>109,343</u>	<u>3,455,877</u>
Transfers				<u>(7,150)</u>	<u>7,150</u>	<u>-</u>
Total general receipts and transfers				<u>3,339,384</u>	<u>116,493</u>	<u>-</u>
Change in net assets				<u>(234,396)</u>	<u>(453,648)</u>	<u>(688,044)</u>
Net assets beginning of year				<u>3,912,859</u>	<u>1,432,453</u>	<u>5,345,312</u>
Net assets end of year				<u>\$ 3,678,463</u>	<u>\$ 978,805</u>	<u>\$ 4,657,268</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	General	Income Tax	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 99,927	\$ 488,648	\$ 25,509	\$ 931,477	\$ 1,545,561
Cash in segregated accounts	-	1,555,643	-	77,259	1,632,902
Investments	-	-	500,000	-	500,000
Total assets	\$ 99,927	\$ 2,044,291	\$ 525,509	\$ 1,008,736	\$ 3,678,463
Fund Balances					
Unreserved:					
Undesignated (deficit), reported in:					
General fund	99,927	-	-	-	99,927
Special revenue funds	-	2,044,291	-	430,564	2,474,855
Capital projects funds	-	-	525,509	578,172	1,103,681
Total fund balances	\$ 99,927	\$ 2,044,291	\$ 525,509	\$ 1,008,736	\$ 3,678,463

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, 2009

	General	Income Tax	Recreation Center Construction	Other Governmental Funds	Total Governmental Funds
Receipts					
Municipal income taxes	\$ 28,001	\$ 2,400,628	\$ -	\$ -	\$ 2,428,629
Property and other local taxes	414,795	-	-	130,750	545,545
Charges for services	27,809	-	-	72,204	100,013
Fines, licenses and permits	76,838	-	-	715	77,553
Intergovernmental	175,931	-	-	114,815	290,746
Gifts and contributions	-	-	-	19,868	19,868
Interest	34,886	-	-	861	35,747
Miscellaneous	1,966	69,146	-	77,173	148,285
Total receipts	760,226	2,469,774	-	416,386	3,646,386
Disbursements					
Current:					
General government	341,874	289,287	-	12,654	643,815
Security of persons and property	1,050,901	-	-	156,493	1,207,394
Public health services	-	-	-	29,669	29,669
Leisure time activities	79,004	87,477	-	138,758	305,239
Community environment	74,024	-	-	-	74,024
Basic utility services	55,497	-	-	98,184	153,681
Transportation	56,016	600,806	-	172,308	829,130
Capital outlay	-	57,749	-	87,676	145,425
Debt service:					
Principal retirement	-	496,478	-	8,033	504,511
Interest and fiscal charges	-	71,175	-	-	71,175
Total disbursements	1,657,316	1,602,972	-	703,775	3,964,063
Excess of receipts over (under) disbursements	(897,090)	866,802	-	(287,389)	(317,677)
Other financing sources (uses)					
Sale of capital assets	90,431	-	-	-	90,431
Transfers in	850,000	-	116,395	207,861	1,174,256
Transfers out	(58,406)	(1,108,000)	-	(15,000)	(1,181,406)
Total other financing sources (uses)	882,025	(1,108,000)	116,395	192,861	83,281
Net change in fund balance	(15,065)	(241,198)	116,395	(94,528)	(234,396)
Fund balances beginning of year	114,992	2,285,489	409,114	1,103,264	3,912,859
Fund balances end of year	<u>\$ 99,927</u>	<u>\$ 2,044,291</u>	<u>\$ 525,509</u>	<u>\$ 1,008,736</u>	<u>\$ 3,678,463</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
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Municipal income taxes	\$ 30,000	\$ 30,000	\$ 28,001	\$ (1,999)
Property and other local taxes	398,441	398,441	414,795	16,354
Charges for services	5,060	5,060	27,809	22,749
Fines, licenses and permits	92,078	92,078	76,838	(15,240)
Intergovernmental	129,123	125,464	175,931	50,467
Interest	79,072	79,072	34,886	(44,186)
Miscellaneous	100	100	1,966	1,866
Total receipts	733,874	730,215	760,226	30,011
Disbursements				
Current:				
General government	374,415	374,415	341,874	32,541
Security of persons and property	1,123,112	1,142,686	1,050,901	91,785
Leisure time activities	80,008	80,008	79,004	1,004
Community environment	74,026	74,026	74,024	2
Basic utility services	55,530	55,530	55,497	33
Transportation	59,279	59,279	56,016	3,263
Total disbursements	1,766,370	1,785,944	1,657,316	128,628
Excess of receipts over (under) disbursements	(1,032,496)	(1,055,729)	(897,090)	158,639
Other financing sources (uses)				
Sale of capital assets	-	-	90,431	90,431
Transfers in	1,000,000	1,000,000	850,000	(150,000)
Transfers out	(59,257)	(59,257)	(58,406)	851
Total other financing sources (uses)	940,743	940,743	882,025	(58,718)
Net change in fund balance	(91,753)	(114,986)	(15,065)	99,921
Fund balance at beginning of year	114,992	114,992	114,992	-
Fund balance at end of year	<u>\$ 23,239</u>	<u>\$ 6</u>	<u>\$ 99,927</u>	<u>\$ 99,921</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
Income Tax Fund
For the Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Municipal income taxes	\$ 2,350,000	\$ 2,350,000	\$ 2,400,628	\$ 50,628
Miscellaneous	-	-	69,146	69,146
Total receipts	<u>2,350,000</u>	<u>2,350,000</u>	<u>2,469,774</u>	<u>119,774</u>
Disbursements				
Current:				
General government	581,102	581,102	289,287	291,815
Leisure time activities	98,392	98,392	87,477	10,915
Transportation	782,494	782,494	600,806	181,688
Capital outlay	130,700	130,700	57,749	72,951
Debt service:				
Principal retirement	698,402	628,137	496,478	131,659
Interest and fiscal charges	910	71,175	71,175	-
Total disbursements	<u>2,292,000</u>	<u>2,292,000</u>	<u>1,602,972</u>	<u>689,028</u>
Excess of receipts over (under) disbursements	58,000	58,000	866,802	808,802
Other financing sources (uses)				
Transfers out	<u>(1,258,000)</u>	<u>(1,258,000)</u>	<u>(1,108,000)</u>	<u>150,000</u>
Net change in fund balance	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(241,198)</u>	<u>958,802</u>
Fund balance at beginning of year	2,285,489	2,285,489	2,285,489	-
Fund balance at end of year	<u>\$ 1,085,489</u>	<u>\$ 1,085,489</u>	<u>\$ 2,044,291</u>	<u>\$ 958,802</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2009

	<u>Water</u>	<u>Sewer</u>	<u>Sewer Capital Improvement</u>	<u>New Well Capital Improvement</u>	<u>Water Treatment Plant Improvement</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets							
Equity in pooled cash and cash equivalents	\$ 103,941	\$ 53,956	\$ 112,528	\$ 53,763	\$ 4,894	\$ 23,805	\$ 352,887
Cash in segregated accounts	-	-	350,004	25,000	-	50,914	425,918
Investments	-	-	-	200,000	-	-	200,000
Total assets	<u>\$ 103,941</u>	<u>\$ 53,956</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 4,894</u>	<u>\$ 74,719</u>	<u>\$ 978,805</u>
Net assets							
Unrestricted	<u>103,941</u>	<u>53,956</u>	<u>462,532</u>	<u>278,763</u>	<u>4,894</u>	<u>74,719</u>	<u>978,805</u>
Total net assets	<u>\$ 103,941</u>	<u>\$ 53,956</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 4,894</u>	<u>\$ 74,719</u>	<u>\$ 978,805</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2009

	Water	Sewer	Sewer Capital Improvement	New Well Capital Improvement	Water Treatment Plant Improvement	Other Enterprise Funds	Total Enterprise Funds
Operating Receipts							
Charges for services	\$ 482,358	\$ 553,270	\$ -	\$ -	\$ -	\$ -	\$ 1,035,628
Other operating receipts	4,696	74	-	-	-	12	4,782
Total operating receipts	<u>487,054</u>	<u>553,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>1,040,410</u>
Operating Disbursements							
Personal services	241,779	216,870	-	-	-	-	458,649
Travel and transportation	178	80	-	-	-	-	258
Contractual services	103,457	263,721	-	50,000	-	-	417,178
Supplies and materials	49,112	53,421	-	-	-	-	102,533
Miscellaneous	569	-	-	-	-	-	569
Total operating disbursements	<u>395,095</u>	<u>534,092</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>979,187</u>
Operating income (loss)	91,959	19,252	-	(50,000)	-	12	61,223
Non-operating receipts and (disbursements)							
Proceeds of OWDA loans	-	-	-	-	109,290	-	109,290
Interest income	-	-	-	-	53	-	53
Capital outlay	(3,782)	(2,000)	-	-	(296,505)	-	(302,287)
Principal retirement	(28,842)	-	(300,235)	-	-	-	(329,077)
Total non-operating receipts and disbursements	<u>(32,624)</u>	<u>(2,000)</u>	<u>(300,235)</u>	<u>-</u>	<u>(187,162)</u>	<u>-</u>	<u>(522,021)</u>
Income (loss) before transfers	59,335	17,252	(300,235)	(50,000)	(187,162)	12	(460,798)
Transfers							
Transfers in	-	942	15,568	7,410	-	1,699	25,619
Transfers out	(15,969)	(2,500)	-	-	-	-	(18,469)
Change in net assets	43,366	15,694	(284,667)	(42,590)	(187,162)	1,711	(453,648)
Net assets beginning of year	60,575	38,262	747,199	321,353	192,056	73,008	1,432,453
Net assets end of year	<u>\$ 103,941</u>	<u>\$ 53,956</u>	<u>\$ 462,532</u>	<u>\$ 278,763</u>	<u>\$ 4,894</u>	<u>\$ 74,719</u>	<u>\$ 978,805</u>

See accompanying notes to the financial statements.

Village of Middlefield
Geauga County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
December 31, 2009

	<u>Agency</u>
Assets	
Equity in pooled cash and cash equivalents	\$ 12
Investments	<u>153,648</u>
Total assets	<u><u>153,660</u></u>
Net Assets	
Restricted for:	
Deposits	<u><u>\$ 153,660</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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 modified cash basis of accounting. This modified 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 modified 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The Village has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. The more significant of the Village's accounting policies are described below.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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.

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 Capital Improvement (2009) - This fund is used for water system improvements from loan proceeds.

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 modified 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

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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.

As a result of the use of this modified 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 Fiscal Officer. 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 Cash Equivalents" 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 2010 and 2009, the Village invested in nonnegotiable certificates of deposit, repurchase agreements and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

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

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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, 2010 and 2009.

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 2010 and 2009 were \$34,886 and \$15,144, which includes \$34,179 and \$15,124 assigned from other Village funds.

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 modified 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.

L. Long-Term Obligations

The Village's modified cash basis financial statements do not 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 capital outlay expenditures are reported at inception. Lease payments are reported when paid.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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 2010 or 2009.

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 modified cash basis is that outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

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

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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).

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.

Cash on hand At year-end December 31, 2010, the Village had \$113 in un-deposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

A. Deposits

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, 2010, the carrying amount of the Village's deposits was \$1,877,429 and \$1,199,562 of the Village's bank balance of \$1,915,725 which includes \$1,699,562 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. Of the \$1,199,562 exposed to custodial credit risk \$200,000 is being reported in the income tax fund, \$300,000

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2010 and 2009

in the recreation center fund, \$20,000 in other governmental funds, \$250,000 in the sewer capital improvement fund, \$225,000 in the new well capital improvement fund, \$50,914 in the water fund and \$153,648 in the agency fund.

At December 31, 2009, the carrying amount of the Village's deposits was \$1,828,661 and \$1,199,562 of the Village's bank balance of \$1,983,386 which includes \$1,699,562 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. Of the \$1,199,562 exposed to custodial credit risk \$500,000 is being reported in the recreation center fund, \$20,000 in other governmental funds, \$250,000 in the sewer capital improvement fund, \$225,000 in the new well capital improvement fund, \$50,914 in the water fund and \$153,648 in the agency fund.

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.

A. Investments

Investment Type	Fair Value at 12/31/2010	Maturity	Rating
Federal National Mortgage Association	\$ 1,808,910	Daily	A-1 (1)
Investments reported in Income Tax fund:			
Star Ohio	1,037,531	58 (2)	AAAm (1)
Investments reported in other governmental funds:			
Star Ohio	4,964	58 (2)	AAAm (1)
Investments reported in Sewer Capital Improvement fund:			
Star Ohio	50,005	58 (2)	AAAm (1)
	<u>\$ 2,901,410</u>		

(1) Standard and Poor

(2) Days (Average)

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Investment Type	Fair Value at 12/31/2009	Maturity	Rating
Federal National Mortgage Association	\$ 1,889,791	Daily	A-1 (1)
Investments reported in Income Tax fund:			
Star Ohio	1,037,513	61.2 (2)	AAAm (1)
Investments reported in other governmental funds:			
Star Ohio	4,959	61.2 (2)	AAAm (1)
Investments reported in Sewer Capital Improvement fund:			
Star Ohio	50,004	61.2 (2)	AAAm (1)
	<u>\$ 2,982,267</u>		

(1) Standard and Poor

(2) Days (Average)

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Village will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the Village must meet a set of prescribed standards and be periodically reviewed. The Village's \$1,808,910 investment in Federal National Mortgage Association (FNMA) at December 31, 2010 and \$1,889,791 at December 31, 2009 is to be secured by the specific securities upon which the repurchase agreements are based. The investments in the FNMA are held by the counterparty's trust department or agent and not in the Village's name.

Interest Rate Risk - 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.

Credit Risk - STAR Ohio and FNMA carries a rating of AAAm and A-1, respectively, 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. The Village has no policy that addresses credit risk.

Concentration of Credit Risk - The Village places no limit on the amount it may invest in any one issuer. The Village's 2010 and 2009 investment in FNMA represents 62% and 63%, respectively.

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.

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.

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2010 and 2009

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 2010 and 2009 represent the collection of 2009 and 2008 taxes. Real property taxes received in 2009 and 2008 were levied after October 1, 2008 and 2007, on the assessed values as of January 1, 2008 and 2007, 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 2010 and 2009 represent the collection of 2009 and 2008 taxes, respectively. Public utility real and tangible personal property taxes received in 2010 and 2009 became a lien on December 31, 2008 and 2007, were levied after October 1, 2007 and 2006, 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 2010 and 2009 (other than public utility property) represent the collection of 2009 and 2008 taxes, respectively. Tangible personal property taxes received in 2009 and 2008 were levied after October 1, 2008 and 2007, on the true value as of December 31, 2007 and 2006, 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 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 years ended December 31, 2010 and 2009, was \$6.85 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 and 2009 property tax receipts were based are as follows:

	2010	2009
Real property		
Residential and agricultural	\$ 44,498,330	\$ 43,978,170
Other	38,351,880	40,216,580
Tangible personal property		
Public utility	1,643,590	1,520,010
Total assessed value	\$ 84,493,800	\$ 85,714,760

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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.

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. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension 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 MD.

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, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Member and employer contributions rates were consistent across all three plans (TP, MD and CP). For the years ended December 31, 2010 and 2009, Village employees were required to contribute 10% of their annual covered salary. The Village's contribution rate for 2010 was 14%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional plan for the years ended December 31, 2010, 2009 and 2008 were \$88,866, \$68,726 and \$134,799, respectively. The full amount has been contributed for 2010, 2009 and 2008.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

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 pension 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% of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5% for police officers, of which 12.75% was used to fund pension plans. Contributions are authorized by State statute. The Village's contributions to the Fund for the years ended December 31, 2010, 2009 and 2008 were \$69,706, \$47,169 and \$94,692 respectively, equal to the required contributions for each year. The full amount has been contributed for 2010, 2009 and 2008.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage, commonly referred to as OPEB (other postemployment benefits). OPERS administers three separate pension plans, the Traditional Pension Plan (TP), the Member-Directed Plan (MD) and the Combined Plan (CP), all of which are described in Note 8.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-retirement health care coverage, age and service retirees under the traditional pension and combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained in writing to OPERS, 227 E. Town St., Columbus, OH, 43215-4642, or by calling (614) 222-5601.

The Ohio Revised Code provides statutory authority requiring employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Village contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB plan.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of the post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 28, 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund postemployment benefits for the years ended December 31, 2010, 2009 and 2008 were \$49,370, \$68,726 and \$64,159 respectively. The full amount has been contributed for 2010, 2009 and 2008. The actual contribution and the actuarially required contribution amounts are the same.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employees increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Village of Middlefield contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access 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. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2010 and 2009, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's total contributions to OP&F for police healthcare for the years ending December 31, 2010, 2009, and 2008 were \$36,903, \$24,972 and \$32,763, respectively. The full amount has been contributed for 2010, 2009 and 2008.

Note 10 – Debt

The Village's long-term debt activity for the years ended December 31, 2010 and 2009 were as follows:

	Balance at 1/1/2010	Increase	Decrease	Balance at 12/31/2010	Due within one year
O.P.W.C. Loans - 0%	\$ 710,898	\$ -	\$ 135,186	\$ 575,712	\$ 135,186
O.W.D.A. Loan #4463 - 0%	10,691,132	-	600,470	10,090,662	600,470
O.W.D.A. Loan #4756 - 2.75%	4,775,998	-	199,922	4,576,076	205,458
Capitalized Interest	64,844	-	-	64,844	-
	<u>\$ 16,242,872</u>	<u>\$ -</u>	<u>\$ 935,578</u>	<u>\$ 15,307,294</u>	<u>\$ 941,114</u>

	Balance at 1/1/2009	Increase	Decrease	Balance at 12/31/2009	Due within one year
O.P.W.C. Loans - 0%	\$ 846,084	\$ -	\$ 135,186	\$ 710,898	\$ 135,186
O.W.D.A. Loan #4463 - 0%	11,291,602	-	600,470	10,691,132	600,470
O.W.D.A. Loan #4756 - 2.75%	4,764,640	109,290	97,932	4,775,998	199,922
Capitalized Interest	64,844	-	-	64,844	-
	<u>\$ 16,967,170</u>	<u>\$ 109,290</u>	<u>\$ 833,588</u>	<u>\$ 16,242,872</u>	<u>\$ 935,578</u>

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.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2010 are as follows:

VILLAGE OF MIDDLEFIELD
 Geauga County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2010 and 2009

Year Ending December 31:	<u>O.P.W.C Loans - Principal</u>
2011	\$ 135,186
2012	135,186
2013	135,186
2014	135,186
2015	<u>34,968</u>
Total	<u>\$ 575,712</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 transfers for 2010 and 2009:

	2010	
Fund	Transfers In	Transfers Out
General	\$ 1,000,000	\$ 36,852
Income tax	-	1,158,000
Police levy	-	15,000
Equipment replacement	60,370	-
Recreation center construction	119	-
Recreation	80,000	-
Utility capital improvements	4,157	-
Street construction, maintenance and repair	10,000	-
State highway	6,000	-
Cemetery	18,000	-
Sidewalks	30,685	-
Sick leave	11,500	-
Total Other Governmental Funds	<u>220,831</u>	<u>15,000</u>
Water revenue	5,021	15,500
Sewer revenue	-	500
Total Enterprise Funds	<u>5,021</u>	<u>16,000</u>
Total	<u>\$ 1,225,852</u>	<u>\$ 1,225,852</u>

VILLAGE OF MIDDLEFIELD
Geauga County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

Fund	2009	
	Transfers In	Transfers Out
General	\$ 850,000	\$ 58,406
Income tax	-	1,108,000
Police levy	-	15,000
Equipment replacement	62,361	-
Recreation center construction	116,395	-
Recreation	80,000	-
Street construction, maintenance and repair	10,000	-
State highway	6,000	-
Cemetery	18,000	-
Sidewalks	20,000	-
Sick leave	11,500	-
Total Other Governmental Funds	<u>324,256</u>	<u>15,000</u>
Sewer capital improvements	15,568	-
New well capital improvements	7,410	-
Water revenue	-	15,969
Water emergency	1,699	-
Sewer revenue	942	2,500
Total Business-type Funds	<u>25,619</u>	<u>18,469</u>
Total	<u>\$ 1,199,875</u>	<u>\$ 1,199,875</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.

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

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2010 and 2009, which collectively comprise the Village's financial statements and have issued our report thereon dated August 16, 2011, 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 in the accompanying schedule of findings to be a material weakness.

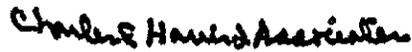
Compliance and Other Matters

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, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-01.

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

We also noted certain matters that we reported to management in a separate letter dated August 16, 2011.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

August 16, 2011

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

Finding Number: 2010 - 01 Material Weakness and Noncompliance Citation

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Village 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 to GASB 34 look-alike statements. We noted that the computer system used by the Village is not conducive to creating reports required for the preparation of these financial statements. Significant time and effort was needed to prepare the financial statements and numerous different reports were needed. This caused a lengthy delay in this preparation.

Also, the Village Officers' Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2010 and 2009, the Village posted OWDA loans into the wrong fund which caused cash to be overstated in the Special Revenue Income Tax Fund and understated in the Capital Projects Utility Capital Improvement Fund. Also, debt payments were posted into capital outlay instead of retirement of principal. In addition, a portion of an OWDA loan was not posted into the Village's financial statements. Management agrees and adjustments were made in the financial statements and the Village's records.

We recommend the Village ensure that the computer system is programmed to create the proper reports for the preparation of the financial statements. Also, to improve controls regarding financial reporting, we recommend the Village implement procedures to ensure all activity is posted into the proper fund and account.

Management's response:

The above finding occurred prior to the current fiscal officer taking office. The Village will be diligent in the future in correctly receipting and disbursing funds.

**VILLAGE OF MIDDLEFIELD
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2010 and 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2008-Middlefield-01	Material Weakness regarding financial reporting.	No	Repeated as Finding 2010-001
2008-Middlefield-02	Expenditures and Encumbrances exceed appropriations contrary to ORC §5705.41(B)	Yes	Finding No Longer Valid
2008-Middlefield-03	Appropriations exceed estimated resources contrary to ORC §5705.39	Yes	Finding No Longer Valid