

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002



**Auditor of State
Betty Montgomery**

Village Council
Village of Mogadore
135 South Cleveland Ave
Mogadore, Ohio 44260

We have reviewed the Independent Auditor's Report of the Village of Mogadore, Summit County, prepared by Gary B. Fink & Associates, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mogadore is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 2, 2004

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**VILLAGE OF MOGADORE, OHIO
SUMMIT COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mogadore, Summit County
10455 Mogadore Road
Mogadore, OH 44067

We have audited the accompanying financial statements of Village of Mogadore, Summit County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserve for encumbrances of the Village of Mogadore as of December 31, 2003 and December 31, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 17, 2004

Village of Mogadore, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2003

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts						
Property Tax and Other Local Taxes	\$204,977	\$0	\$0	\$0	\$32,506	\$237,483
Municipal Income Taxes	0	1,913,274	0	0	0	1,913,274
Intergovernmental	213,285	218,539	0	372,642	0	804,466
Charges for Services	0	35,427	0	0	0	35,427
Fines, Licenses and Permits	45,370	3,780	0	0	0	49,150
Special Assessments	0	2,158	0	0	0	2,158
Earnings on Investments	7,943	0	0	0	0	7,943
Miscellaneous	43,482	8,367	0	0	0	51,849
Total Cash Receipts	515,057	2,181,545	0	372,642	32,506	3,101,750
Cash Disbursements						
Current:						
Security of Persons and Property	991,810	15,504	0	0	86,923	1,094,237
Public Health Services	26,490	22,047	0	0	0	48,537
Leisure Time Activities	0	133,819	0	0	0	133,819
Community Environment	2,268	0	0	0	0	2,268
Transportation	0	432,904	0	0	0	432,904
General Government	404,088	49,370	0	0	0	453,458
Debt Service:						
Redemption of Principal	0	0	283,100	385,000	0	668,100
Interest and Other Fiscal Charges	0	0	7,691	10,693	0	18,384
Capital Outlay	218,170	77,419	0	740,797	0	1,036,386
Total Cash Disbursements	1,642,826	731,063	290,791	1,136,490	86,923	3,888,093
Excess/(Deficiency) of Cash Receipts Over/ (Under) Cash Disbursements Before Other Financing Sources/(Uses)	(1,127,769)	1,450,482	(290,791)	(763,848)	(54,417)	(786,343)
Other Financing Sources/(Uses)						
Proceeds of Notes	0	0	243,100	1,020,000	0	1,263,100
Transfers In	874,884	405,060	54,700	474,948	54,400	1,863,992
Transfers Out	0	(1,863,992)	0	0	0	(1,863,992)
Total Other Financing Sources/(Uses)	874,884	(1,458,932)	297,800	1,494,948	54,400	1,263,100
Total Receipts Over/(Under) Disbursements	(252,885)	(8,450)	7,009	731,100	(17)	476,757
Fund Cash Balances, January 1, 2003	189,807	39,266	15	239,761	21	468,870
Fund Cash Balances/(Deficits), December 31, 2003	<u>(\$63,078)</u>	<u>\$30,816</u>	<u>\$7,024</u>	<u>\$970,861</u>	<u>\$4</u>	<u>\$945,627</u>
Reserve For Encumbrances	<u>\$1,400</u>	<u>\$0</u>	<u>\$0</u>	<u>\$674,994</u>	<u>\$0</u>	<u>\$676,394</u>

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

Village of Mogadore, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in
Fund Cash Balances - Fiduciary Fund Type
For the Year Ended December 31, 2003

	Fiduciary Fund Type
	<u>Agency</u>
Non-Operating Cash Receipts	
Non-Operating Receipts	<u>\$51,843</u>
Non-Operating Cash Disbursements	
Non-Operating Disbursements	<u>53,475</u>
Deficiency of Receipts Under Disbursements	(1,632)
Fund Cash Balances, January 1, 2003	<u>20,268</u>
Fund Cash Balances, December 31, 2003	<u><u>\$18,636</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

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

Village of Mogadore, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash
Balances - All Governmental and Similar Fiduciary Fund Types
For the Year Ended December 31, 2002

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts						
Property Tax and Other Local Taxes	\$149,047	\$0	\$0	\$0	\$23,810	\$172,857
Municipal Income Taxes	0	1,876,893	0	0	0	1,876,893
Intergovernmental	260,621	201,759	0	317,353	0	779,733
Charges for Services	0	23,191	0	0	0	23,191
Fines, Licenses and Permits	53,496	4,788	0	0	0	58,284
Special Assessments	889	2,159	0	0	0	3,048
Earnings on Investments	5,689	0	0	0	0	5,689
Miscellaneous	53,468	13,786	0	0	0	67,254
Total Cash Receipts	523,210	2,122,576	0	317,353	23,810	2,986,949
Cash Disbursements						
Current:						
Security of Persons and Property	922,806	14,223	0	0	86,298	1,023,327
Public Health Services	25,790	21,000	0	0	0	46,790
Leisure Time Activities	0	116,886	0	0	0	116,886
Community Environment	3,266	0	0	0	0	3,266
Transportation	0	419,599	0	0	0	419,599
General Government	451,587	37,243	0	0	0	488,830
Debt Service:						
Redemption of Principal	0	0	433,100	50,000	0	483,100
Interest and Other Fiscal Charges	0	0	0	16,093	0	16,093
Capital Outlay	100,517	34,728	0	478,437	0	613,682
Total Cash Disbursements	1,503,966	643,679	433,100	544,530	86,298	3,211,573
Excess/(Deficiency) of Cash Receipts Over/ (Under) Cash Disbursements Before Other Financing Sources/(Uses)	(980,756)	1,478,897	(433,100)	(227,177)	(62,488)	(224,624)
Other Financing Sources/(Uses)						
Proceeds of Notes	235,000	0	433,100	0	0	668,100
Sales of Fixed Assets	60,952	3,000	0	18,200	9,290	91,442
Transfers In	931,938	383,000	0	462,212	62,500	1,839,650
Transfers Out	0	(1,839,650)	0	0	0	(1,839,650)
Other Financing Uses	(63,779)	0	0	(102,820)	0	(166,599)
Total Other Financing Sources/(Uses)	1,164,111	(1,453,650)	433,100	377,592	71,790	592,943
Total Receipts Over Disbursements	183,355	25,247	0	150,415	9,302	368,319
Fund Cash Balances/(Deficits), January 1, 2002	6,452	14,019	15	89,346	(9,281)	100,551
Fund Cash Balances, December 31, 2002	<u>\$189,807</u>	<u>\$39,266</u>	<u>\$15</u>	<u>\$239,761</u>	<u>\$21</u>	<u>\$468,870</u>
Reserve For Encumbrances	<u>\$187,030</u>	<u>\$6,893</u>	<u>\$0</u>	<u>\$36,125</u>	<u>\$0</u>	<u>\$230,048</u>

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

Village of Mogadore, Ohio
Summit County
Combined Statement of Cash Receipts, Cash Disbursements and Change in
Fund Cash Balances - Fiduciary Fund Type
For the Year Ended December 31, 2002

	Fiduciary Fund Type
	<u>Agency</u>
Non-Operating Cash Receipts	
Non-Operating Receipts	<u>\$63,237</u>
Non-Operating Cash Disbursements	
Non-Operating Disbursements	<u>62,064</u>
Excess of Receipts Over Disbursements	1,173
Fund Cash Balances, January 1, 2002	<u>19,095</u>
Fund Cash Balances, December 31, 2002	<u><u>\$20,268</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

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

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Mogadore, Summit County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It is located within both Summit and Portage counties. The Village is directed by a publicly-elected, seven-member Council. The Village provides general governmental services, including park operations (leisure time activities), police, fire and emergency medical services to the residents of the Village.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

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

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

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Street Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Income Tax Fund – This fund is used to account for the costs of collecting the self assessed taxes and the cost of administering and enforcing the income tax in accordance with the Village ordinance.

Debt Service Fund – This fund is used to accumulate resources for the payment of note indebtedness. The Village's only Debt Service Fund is the General Obligation Fund which is used to accumulate resources for the payment of principal and interest on the Village's Water/Sewer Infrastructure Replacement note.

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village's only Capital Projects Fund is the Construction Fund which receives proceeds from the Ohio Public Works Commission.

Fiduciary Fund (Trust and Agency Funds) – Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant fiduciary funds:

Expendable Trust – Police Disability and Pension Fund – This fund accounts for property taxes levied for the payment of current employer contribution for police disability and pension benefits.

Agency – Mayor's Court Fund – This fund receives and distributes fines collected by the Mayor's Court.

E. Budgetary Process

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

Appropriations - Budgetary expenditures (disbursements and encumbrances) may not exceed appropriations at the legal level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Encumbrances - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	(\$33,613)	(\$47,784)
Certificates of Deposit	62,876	61,922
Total Deposits	<u>29,263</u>	<u>14,138</u>
Repurchase agreement	<u>935,000</u>	<u>475,000</u>
Total Deposits and Investments	<u>\$964,263</u>	<u>\$489,138</u>

Deposits – Deposits are insured by the Federal Depository Insurance Corporation.

Investments - The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are in the Village's name.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 was as follows:

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,473,031	\$1,389,941	(\$83,090)
Special Revenue	2,617,320	2,586,605	(30,715)
Debt Service	298,460	297,800	(660)
Capital Projects	1,919,050	1,867,590	(51,460)
Fiduciary	145,060	138,749	(6,311)
Total	<u>\$6,452,921</u>	<u>\$6,280,685</u>	<u>(\$172,236)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Encumbrances</u>	<u>Variance</u>
General	\$1,674,383	\$1,642,826	\$1,400	\$30,157
Special Revenue	2,625,766	2,595,055	0	30,711
Debt Service	298,460	290,791	0	7,669
Capital Projects	1,877,314	1,136,490	674,994	65,830
Fiduciary	138,500	140,398	0	(1,898)
Total	<u>\$6,614,423</u>	<u>\$5,805,560</u>	<u>\$676,394</u>	<u>\$132,469</u>

2002 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,914,373	\$1,751,100	(\$163,273)
Special Revenue	2,555,054	2,508,576	(46,478)
Debt Service	433,100	433,100	0
Capital Projects	844,612	797,765	(46,847)
Fiduciary	178,175	158,837	(19,338)
Total	<u>\$5,925,314</u>	<u>\$5,649,378</u>	<u>(\$275,936)</u>

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

3. **BUDGETARY ACTIVITY** (continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$1,911,798	\$1,567,745	\$187,030	\$157,023
Special Revenue	2,577,206	2,483,329	6,892	86,985
Debt Service	433,100	433,100	0	0
Capital Projects	922,977	647,350	36,125	239,502
Fiduciary	159,390	148,362	0	11,028
Total	<u>\$6,004,471</u>	<u>\$5,279,886</u>	<u>\$230,047</u>	<u>\$494,538</u>

4. **PROPERTY TAX**

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

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

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

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

5. **INCOME TAX**

The Village levies and collects an income tax of 1.5% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Regional Income Tax Authority (RITA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received approximately \$1,913,274 and \$1,876,893 of income taxes in 2003 and 2002, respectively.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

6. **DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Note, 2003-1	\$885,000	1.45%
Various Purpose Note, 2003-2	378,100	2.10%
Total	<u>\$1,263,100</u>	

7. **RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries.

8. **RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village also provides health insurance and dental insurance to full-time employees through a private carrier.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village Council
Village of Mogadore, Summit County
10455 Mogadore Road
Mogadore, OH 44067

We have audited the financial statements of Village of Mogadore, Summit County (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 17, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as Finding Number 2003-001, Finding Number 2002-002 and Finding Number 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the Village in a separate letter dated June 17, 2004.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

June 17, 2004

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2001-30977-001	ORC Section 5705.41(D)	No	Not Corrected
2001-30977-002	ORC Section 5705.10	No	Not Corrected
2001-30977-003	Mayor's Court	Yes	Corrected
2001-30977-004	Budgetary Compliance	No	Partially Corrected

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2003-001

Section 5705.41(D), Revised Code, requires that no subdivision shall make any contract or order any expenditures of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Further, contracts and other orders or expenditures lacking prior certification should be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides for two “exceptions” to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the execution of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days form the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 effective April 17, 2003), the Clerk/Treasurer may authorize payment through the Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

For 42% of the expenditures tested, the certification of the fiscal officer was not done prior to entering into the commitment. In addition, neither of the two exceptions noted above were utilized. As a result of the above, the Village could inadvertently over expend certain appropriations. Prior to entering into commitments, the certification of the fiscal officer that funds are available for expenditure needs to be done. Village employees should be informed of the above code section and be made aware that they could be held liable for payment if they do not obtain proper certification. The Village should implement the use of the Then and Now Certificate and Blanket Certificates as further permitted by the Code.

Finding Number 2003-002

Section 5705.10, Revised Code, requires that monies paid into any fund be used only for the purposes for which such fund is established. At December 31, 2003, the Village had a negative cash balance in the General Fund for \$63,078.

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Additionally, money spent for purposes other than specified in grant agreements could result in the loss of future grant awards. Fund activity should be monitored to prevent future expenditures in excess of available resources.

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2003 AND DECEMBER 31, 2002
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

Finding Number 2003-003

Budgetary Compliance

During our testing of budgetary compliance, the following issues were noted:

- In 2002, Village Council approved the annual appropriation measure at the fund/function/object level of control; however, subsequently approved amended appropriations were approved at the fund level only. This situation was corrected in 2003 with Village Council passing the annual appropriation measure at the fund level with the exception of the General Fund which was passed at the department level.
- During 2003 and 2002, estimated resources exceeded actual receipts in the majority of funds ranging from \$20 to \$151,747.

The Clerk/Treasurer should monitor the variances between estimated resources and actual receipts and, if appropriate, obtain a reduced amended certificate.



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VILLAGE OF MOGADORE

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 14, 2004**