



Dave Yost • Auditor of State

VILLAGE OF MOGADORE
SUMMIT COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Mogadore
Summit County
135 S. Cleveland Avenue
Mogadore, OH 44260

To the Village Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Mogadore, Summit County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2012, the Village restated the General and Special Revenue Funds due to the reclassification of funds in accordance with Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015

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**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$131,180	\$17,217	\$0	\$0	\$148,397
Municipal Income Tax	2,386,851	0	0	307,653	2,694,504
Intergovernmental	165,381	238,814	0	335,588	739,783
Charges for Services	0	115,239	0	0	115,239
Fines, Licenses and Permits	63,700	3,159	0	0	66,859
Earnings on Investments	1,387	0	0	0	1,387
Miscellaneous	80,896	36,286	0	200	117,382
<i>Total Cash Receipts</i>	<u>2,829,395</u>	<u>410,715</u>	<u>0</u>	<u>643,441</u>	<u>3,883,551</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,209,413	170,439	0	0	1,379,852
Public Health Services	20,740	31,363	0	0	52,103
Leisure Time Activities	0	86,531	0	0	86,531
Community Environment	104,600	0	0	0	104,600
Basic Utility Services	27,488	0	0	0	27,488
Transportation	0	474,098	0	0	474,098
General Government	561,915	0	0	0	561,915
Capital Outlay	81,058	145,598	0	436,374	663,030
Debt Service:					
Principal Retirement	0	0	893,500	0	893,500
Interest and Fiscal Charges	0	0	18,877	0	18,877
<i>Total Cash Disbursements</i>	<u>2,005,214</u>	<u>908,029</u>	<u>912,377</u>	<u>436,374</u>	<u>4,261,994</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>824,181</u>	<u>(497,314)</u>	<u>(912,377)</u>	<u>207,067</u>	<u>(378,443)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0	0	823,500	500,000	1,323,500
Transfers In	0	528,000	90,000	0	618,000
Transfers Out	(618,000)	0	0	0	(618,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(618,000)</u>	<u>528,000</u>	<u>913,500</u>	<u>500,000</u>	<u>1,323,500</u>
<i>Net Change in Fund Cash Balances</i>	206,181	30,686	1,123	707,067	945,057
<i>Fund Cash Balances, January 1</i>	<u>404,489</u>	<u>144,303</u>	<u>0</u>	<u>299,347</u>	<u>848,139</u>
Fund Cash Balances, December 31					
Restricted	0	190,374	1,123	1,006,414	1,197,911
Assigned	64,500	0	0	0	64,500
Unassigned (Deficit)	546,170	(15,385)	0	0	530,785
<i>Fund Cash Balances, December 31</i>	<u>\$610,670</u>	<u>\$174,989</u>	<u>\$1,123</u>	<u>\$1,006,414</u>	<u>1,793,196</u>

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

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	<u>\$55,150</u>
<i>Total Operating Cash Receipts</i>	<u>55,150</u>
Operating Cash Disbursements	
Other	<u>56,081</u>
<i>Total Operating Cash Disbursements</i>	<u>56,081</u>
<i>Net Change in Fund Cash Balances</i>	(931)
<i>Fund Cash Balances, January 1</i>	<u>27,649</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$26,718</u></u>

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

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$122,488	\$24,775	\$0	\$0	\$147,263
Municipal Income Tax	2,637,043	0	0	0	2,637,043
Intergovernmental	169,051	199,206	0	1,009,628	1,377,885
Charges for Services	0	114,391	0	0	114,391
Fines, Licenses and Permits	97,703	5,354	0	0	103,057
Earnings on Investments	892	0	0	0	892
Miscellaneous	111,837	19,166	0	0	131,003
<i>Total Cash Receipts</i>	<u>3,139,014</u>	<u>362,892</u>	<u>0</u>	<u>1,009,628</u>	<u>4,511,534</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,188,395	172,800	0	0	1,361,195
Public Health Services	20,735	28,388	0	0	49,123
Leisure Time Activities	0	101,884	0	0	101,884
Community Environment	109,546	0	0	0	109,546
Basic Utility Services	27,632	0	0	0	27,632
Transportation	0	437,221	0	0	437,221
General Government	539,367	0	0	0	539,367
Capital Outlay	195,648	14,529	0	1,818,944	2,029,121
Debt Service:					
Principal Retirement	0	0	810,000	0	810,000
Interest and Fiscal Charges	0	0	17,629	0	17,629
<i>Total Cash Disbursements</i>	<u>2,081,323</u>	<u>754,822</u>	<u>827,629</u>	<u>1,818,944</u>	<u>5,482,718</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,057,691</u>	<u>(391,930)</u>	<u>(827,629)</u>	<u>(809,316)</u>	<u>(971,184)</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	153,500	0	740,000	0	893,500
Transfers In	0	478,802	131,594	552,080	1,162,476
Transfers Out	(1,162,476)	0	0	0	(1,162,476)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,008,976)</u>	<u>478,802</u>	<u>871,594</u>	<u>552,080</u>	<u>893,500</u>
<i>Net Change in Fund Cash Balances</i>	48,715	86,872	43,965	(257,236)	(77,684)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>355,774</u>	<u>57,431</u>	<u>(43,965)</u>	<u>556,583</u>	<u>925,823</u>
Fund Cash Balances, December 31					
Restricted	0	144,303	0	334,259	478,562
Assigned	12,241	0	0	0	12,241
Unassigned (Deficit)	392,248	0	0	(34,912)	357,336
<i>Fund Cash Balances, December 31</i>	<u>\$404,489</u>	<u>\$144,303</u>	<u>\$0</u>	<u>\$299,347</u>	<u>\$848,139</u>

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

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
Operating Cash Receipts	
Fines, Licenses and Permits	\$91,499
Miscellaneous	1,000
	<hr/>
<i>Total Operating Cash Receipts</i>	92,499
	<hr/>
Operating Cash Disbursements	
Other	92,820
	<hr/>
<i>Total Operating Cash Disbursements</i>	92,820
	<hr/>
<i>Net Change in Fund Cash Balances</i>	(321)
<i>Fund Cash Balances, January 1</i>	27,970
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u><u>\$27,649</u></u>

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

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mogadore, Summit County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services including park operations, police, fire and emergency medical services to the residents of Village.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Council recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village invests in a repurchase agreement (overnight sweep).

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay note debt. The Village had the following Debt Service Fund:

Debt Service Fund – This fund receives resources for the payment of a note used for various improvements and capital acquisitions.

3. Capital Projects Funds

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

Water/Sewer Construction Fund – This fund receives proceeds from the Ohio Public Works Commission. The proceeds are being used for various replacement and reconstruction projects.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for:

Mayor's Court Fund – This fund receives fines and forfeitures from the Mayor's Court to be distributed to the Village, State of Ohio, and other local governments.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated

VILLAGE OF MOGADORE
SUMMIT COUNTY

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

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

E. **Budgetary Process (Continued)**

resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. **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 approve estimated resources.

3. **Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. **Fund Balance**

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2013	2012
Demand deposits	(\$75,086)	(\$19,212)
Total deposits	(75,086)	(19,212)
Repurchase agreement		
Total investments	1,895,000	895,000
Total deposits and investments	\$1,819,914	\$875,788

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool.

Investments: The Village’s financial institution transfers securities to the Village’s agent to collateralize repurchase agreements. The securities are not in the Village’s name.

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,391,393	\$2,829,395	(\$1,561,998)
Special Revenue	953,581	938,715	(14,866)
Debt Service	912,608	913,500	892
Capital Projects	1,290,720	1,143,441	(147,279)
Total	\$7,548,302	\$5,825,051	(\$1,723,251)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,879,182	\$2,752,274	\$126,908
Special Revenue	1,764,677	926,837	837,840
Debt Service	1,134,007	912,377	221,630
Capital Projects	1,022,608	591,910	430,698
Total	\$6,800,474	\$5,183,399	\$1,617,075

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,702,773	\$3,292,514	\$1,589,741
Special Revenue	3,230,350	841,694	(2,388,656)
Debt Service	829,000	871,594	42,594
Capital Projects	1,727,200	1,561,708	(165,492)
Total	\$7,489,323	\$6,567,510	(\$921,813)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,972,930	\$3,256,040	(\$283,110)
Special Revenue	1,159,143	783,098	376,045
Debt Service	1,145,082	827,629	317,453
Capital Projects	1,010,211	2,272,951	(1,262,740)
Total	\$6,287,366	\$7,139,719	(\$852,352)

Contrary to Ohio law, during fiscal year 2013, the Village did not properly certify expenditures prior to incurring the obligation. In addition, the Village had negative fund balances for certain months in the following funds: General Fund (2013 and 2012), Cemetery

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

3. Budgetary Activity (Continued)

Fund (2013 and 2012), Street Construction Maintenance and Repair Fund (2013), the Parks and Recreation Fund (2013), the CDBG Fund (2012), the Water/Sewer Main Project Fund (2012), the Debt Service Fund (2013 and 2012) and the Police Pension Fund (2013). Finally, total expenditures exceeded appropriations in the General fund by \$168,418 during 2013 and also in the Water/Sewer Main Project Fund by \$1,201,671 during 2012.

4. Property Tax

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

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

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

5. Local Income Tax

The Village levies a municipal income tax of 2.25 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

The Village has contracted with the Regional Income Tax Authority (RITA) for collection of income tax.

6. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Improvement Notes, Series 2013	\$678,500	1.75%
Various Purpose Improvement Notes, Series 2013-1	\$145,000	1.65%
Infrastructure Improvement Notes, Series 2013 A	\$250,000	2.75%
Infrastructure Improvement Notes, Series 2013 B	\$250,000	2.25%
Total	<u>\$1,323,500</u>	

Various Purpose Improvement Notes, Series 2013, was issued March 12, 2013, in the amount of \$678,500. The note matures March 12, 2014, at an interest rate of 1.75%. The note was issued in anticipation of the issuance of bonds to pay costs of constructing, furnishing, equipping, and

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

6. Debt (Continued)

otherwise improving a police station and its site, to pay costs of acquiring a pumper fire truck, and to pay costs of constructing and installing improvements to the roof of the Village municipal building.

Various Purpose Improvement Notes, Series 2013-1, was issued August 13, 2013, in the amount of \$145,000. The note matures August 13, 2014, at an interest rate of 1.65%. The note was issued to retire Purpose Improvement Notes, Series 2012-1.

Infrastructure Improvement Notes, Series 2013 A, was issued July 30, 2013, in the amount of \$250,000. The note matures January 30, 2014, at an interest rate of 2.75%. The note was issued in anticipation of the issuance of bonds to pay costs of constructing, reconstructing, and installing infrastructure improvements including water lines, sanitary sewers, streets and curbs, together with all necessary appurtenances thereto, comprising the Highland Drive Reconstruction Project.

Infrastructure Improvement Notes, Series 2013 B, was issued July 1, 2013, in the amount of \$250,000. The note matures July 1, 2014, at an interest rate of 2.25%. The note was issued in anticipation of the issuance of bonds to pay costs of constructing, reconstructing, and installing infrastructure improvements including water lines, sanitary sewers, streets and curbs, together with all necessary appurtenances thereto, comprising the Highland Drive Reconstruction Project.

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For the period January 1, 2012 through June 30, 2013, OP&F participants contributed 10% of their wages. For the period July 1, 2013 through December 31, 2013, OP&F participants contributed 10.75% of their wages. For both 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of the Fire Chief's Wages. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013 and December 31, 2012.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF MOGADORE
SUMMIT COUNTY

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

9. Restatement of Fund Balance

For Fiscal year 2012, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported.

	<u>General</u>	<u>Special Revenue</u>
Fund Balance at December 31, 2011	(\$249,049)	\$662,254
Fund Reclassification	<u>604,823</u>	<u>(604,823)</u>
Adjusted Fund Balance at January 1, 2012	<u><u>\$355,774</u></u>	<u><u>\$57,431</u></u>



Dave Yost • Auditor of State

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

Village of Mogadore
Summit County
135 S. Cleveland Avenue
Mogadore, OH 44260

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Mogadore, Summit County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2015 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 permit. In addition Fund Balances have been restated due to implementation of Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-004.

Entity's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 26, 2015

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Negative Fund Balances

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10 provides that monies paid into any fund be used only for the purposes for which such fund is established.

The Village had negative fund balances in the following funds as of December 31, 2013 Special Revenue Cemetery Fund (\$19,754) and Special Revenue Police Pension Fund (\$15,384). The Village had negative fund balance in the Special Revenue CDBG fund (\$34,913) as of December 31, 2012. In addition to the year end negative fund balances, several funds experienced negative fund balance conditions throughout the audit period as follows:

- General Fund – 4 months in 2013 in amounts ranging from (\$165,102) to (\$282,866) and 2 months in 2012 in amounts ranging from (\$90,688) to (\$195,787)
- Cemetery Fund – 4 months in 2013 in amounts ranging from (\$1,067) to (\$8,648) and 4 months in 2012 in amounts ranging from (\$14,437) to (\$18,880)
- Street Construction Maintenance and Repair Fund – 11 months in 2013 in amounts ranging from (\$5,784) to (\$85,851)
- Parks and Recreation Fund – 7 months in 2013 in amounts ranging from (\$4,395) to (\$47,852)
- Debt Service Fund – 6 months in 2013 in amounts ranging from (\$18,876) to (\$64,570) and 4 months in 2012 at (\$43,965) each month
- Police Pension Fund – 8 months in 2013 in amounts ranging from (\$2,055) to (\$36,628)
- CDBG Fund – 2 months in 2012 in the amount of (\$46,413)
- Water/Sewer Main Project Fund – 3 months in 2012 in amounts ranging from (\$4,276) to (\$124,404)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Official’s Response: The current Administration is closely monitoring these funds to prevent future expenditures in excess of available resources.

Village Transfers

<i>Finding Number</i>	2013-002
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provides guidelines pertaining to allowable interfund transfers. Generally, before an interfund transfer can be made, a resolution of the taxing authority of the political subdivision shall be passed by a majority of the governing board and such taxing authority shall prepare a petition to be presented to the tax commissioner and to the Court of Common Pleas of the County, requesting approval of said transfers.

During fiscal year 2012, 8 out of the 11 (or 73%) of transfers made to the Villages books from the Income Tax Fund, totaling \$735,523, were not approved by Council. These transfers were made to the following funds: Cemetery Fund (\$14,400); Street Fund (\$165,000); Parks and Recreation Fund (\$60,000); Water Main/Sewer Project Fund (\$350,994); Debt Service Fund (\$87,629); Police Pension Fund (\$57,500). In addition, during fiscal year 2013, the Village Council approved a total of \$868,000 to be transferred from the Income Tax Fund to various funds; however, only \$618,000 was actually posted to the Village's books.

The transfers documented above were made by the Fiscal Officer without prior approval by the Village Council, Tax Commissioner, or the Court of Common Pleas. All transfers should be approved by the governing authority or, if appropriate, the Fiscal Officer should directly receipt monies into the aforementioned funds rather than transferring these monies. In addition, the Fiscal Officer should ensure monies transferred on the Village's books agree to the actual amounts approved by Council.

Official's Response: The current Administration is aware of this issue and we are striving to improve this situation.

Income Tax Allocation

<i>Finding Number</i>	2013-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Village Council passed Ordinance 2012-76 on November 7, 2012 to amend Section One. Title III: Administration, Chapter 37: Finance and Taxation of the Mogadore Code of Ordinances which stated the following provisions:

(A) Effective January 1, 2012, Fund derived from the remaining 1 ¾% income tax collected under the provisions of this section, shall be deposited in the Income Tax Fund and said funds collected for the duration of this section, shall be disbursed in the following order, to wit:

(1) Such part thereof as shall be necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions thereof.

(2) All remaining net available income tax receipts receiving annually shall be used to defray operating expenses of the Municipality, capital development and construction of storm sewers and street improvements, for public buildings, for equipment necessary for the police, fire, street, traffic and safety departments, and for the parks, playgrounds and other recreations activities, based on priorities as determined by Council.

Income Tax Allocation (Continued)

<i>Finding Number</i>	2013-003 (Continued)
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During fiscal year 2013, the Village recorded income tax monies directly in to Income Tax and Capital Project Funds and transferred income tax monies to the special revenue funds and debt service fund. During fiscal year 2012, the village receipted all income tax monies directly into the Income Tax Fund and then transferred these monies to various funds. Therefore, the financial statements correctly show income tax monies as operating transfers in the special revenue funds and debt service fund in 2013 and incorrectly reflect the income tax revenue in the Capital Projects Fund in 2013, since there is nothing specific in the income tax ordinance indicating the revenue should be recorded in that manner.

The Village should record income tax revenue in accordance with its income tax ordinance.

Official's Response: The Administration is currently working to rectify this issue.

Expenditures Exceeding Appropriations

<i>Finding Number</i>	2013-004
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NONCOMPLIANCE

Ohio Revised Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Total expenditures exceeded appropriations in the General Fund by \$168,418 during 2013 and also in the Water/Sewer Main Project Fund by \$1,201,671 during 2012.

The Fiscal Officer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to help avoid overspending.

Official's Response: Administration is currently working to rectify this issue.

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Adjustments have been made to correctly reflect the financial activity of the Village	Yes	Finding No Longer Valid
2011-002	Bank Reconciliations - From March 2011 through December 31, 2011, the Village did not fully reconcile the balance of the bank and the balance of cash in the accounting records.	No	See comment in management letter
2011-003	Ohio Revised Code Section 5705.41(B) - Certain funds had expenditures plus encumbrances exceeding appropriation authority.	No	Repeated as 2013-004
2011-004	Ohio Revised Code Section 5705.10 – Certain funds had negative fund balances.	No	Repeated as 2013-001
2011-005	Income Tax Ordinance - Village did not allocate income tax receipts in a manner to assure income tax collections were set aside and used as described above	No	Repeated as 2013-003



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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
APRIL 14, 2015**