

**VILLAGE OF MOGADORE
SUMMIT COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2005 and DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Mogadore, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 3, 2007

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**VILLAGE OF MOGADORE, OHIO
SUMMIT COUNTY
FOR THE YEARS ENDED
DECEMBER 31, 2005 and DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mogadore, Summit County
135 South Cleveland Avenue
Mogadore, OH 44260

We have audited the accompanying financial statements of Village of Mogadore, Summit County (the Village), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Mogadore as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007 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. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You and should read it in conjunction with this report in assessing the results of our audit.

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

January 12, 2007

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, 2005

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts						
Property Tax and Other Local Taxes	\$202,304	\$0	\$0	\$0	\$32,334	\$234,638
Municipal Income Taxes	0	1,888,527	0	0	0	1,888,527
Intergovernmental	326,992	224,508	0	770,644	0	1,322,144
Charges for Services	0	24,850	0	0	0	24,850
Fines, Licenses and Permits	54,591	4,554	0	0	0	59,145
Earnings on Investments	13,752	169	0	0	0	13,921
Miscellaneous	47,918	27,614	0	0	0	75,532
Total Cash Receipts	645,557	2,170,222	0	770,644	32,334	3,618,757
Cash Disbursements						
Current:						
Security of Persons and Property	903,664	19,752	0	0	90,980	1,014,396
Public Health Services	28,745	25,685	0	0	0	54,430
Leisure Time Activities	0	129,945	0	0	0	129,945
Community Environment	1,795	0	0	0	0	1,795
Transportation	0	436,268	0	0	0	436,268
General Government	432,112	55,625	0	0	0	487,737
Debt Service:						
Redemption of Principal	0	0	908,100	255,000	0	1,163,100
Interest and Other Fiscal Charges	0	0	14,981	7,110	0	22,091
Capital Outlay	1,254	8,649	0	1,428,759	0	1,438,662
Total Cash Disbursements	1,367,570	675,924	923,081	1,690,869	90,980	4,748,424
Total Cash Receipts Over/(Under)						
Cash Disbursements	(722,013)	1,494,298	(923,081)	(920,225)	(58,646)	(1,129,667)
Other Financing Sources/(Uses)						
Proceeds of Notes	40,000	0	830,000	335,000	0	1,205,000
Sale of Fixed Assets	53,577	0	0	92,000	0	145,577
Advance In	0	0	0	20,000	0	20,000
Advance Out	(20,000)	0	0	0	0	(20,000)
Transfers In	826,512	398,478	93,081	462,173	59,999	1,840,243
Transfers Out	0	(1,840,243)	0	0	0	(1,840,243)
Total Other Financing Sources/(Uses)	900,089	(1,441,765)	923,081	909,173	59,999	1,350,577
Excess of Cash Receipts and Other Financing Sources						
Over/(Under) Cash Disbursements and Other Financing Uses	178,076	52,533	0	(11,052)	1,353	220,910
Fund Cash Balances /(Deficits), January 1, 2005	(61,026)	(362)	0	285,459	1	224,072
Fund Cash Balances December 31, 2005	\$117,050	\$52,171	\$0	\$274,407	\$1,354	\$444,982
Reserve For Encumbrances	\$153,568	\$0	\$0	\$30,000	\$0	\$183,568

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, 2005

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts	<u>\$68,057</u>
Non-Operating Cash Disbursements	<u>69,973</u>
Deficiency of Receipts (Under) Disbursements	(1,916)
Fund Cash Balances, January 1, 2005	<u>23,395</u>
Fund Cash Balances, December 31, 2005	<u><u>\$21,479</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, 2004

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts						
Property Tax and Other Local Taxes	\$192,177	\$0	\$0	\$0	\$30,649	\$222,826
Municipal Income Taxes	0	1,838,805	0	0	0	1,838,805
Intergovernmental	247,982	216,266	0	592,519	0	1,056,767
Charges for Services	0	33,532	0	0	0	33,532
Fines, Licenses and Permits	56,951	4,770	0	0	0	61,721
Special Assessments	0	2,185	0	0	0	2,185
Earnings on Investments	4,293	21	0	0	0	4,314
Miscellaneous	67,412	12,624	0	0	0	80,036
Total Cash Receipts	568,815	2,108,203	0	592,519	30,649	3,300,186
Cash Disbursements						
Current:						
Security of Persons and Property	994,915	12,923	0	0	98,240	1,106,078
Public Health Services	27,193	23,779	0	0	0	50,972
Leisure Time Activities	0	128,541	0	0	0	128,541
Community Environment	2,025	0	0	0	0	2,025
Transportation	0	413,591	0	0	0	413,591
General Government	488,916	54,307	0	0	0	543,223
Debt Service:						
Redemption of Principal	0	0	958,100	305,000	0	1,263,100
Interest and Other Fiscal Charges	0	0	14,352	6,354	0	20,706
Capital Outlay	0	1,650	0	1,654,955	0	1,656,605
Total Cash Disbursements	1,513,049	634,791	972,452	1,966,309	98,240	5,184,841
Total Cash Receipts Over/(Under)						
Cash Disbursements	(944,234)	1,473,412	(972,452)	#####	(67,591)	(1,884,655)
Other Financing Sources/(Uses)						
Proceeds of Notes	0	0	908,100	255,000	0	1,163,100
Transfers In	926,286	279,908	57,328	453,388	67,588	1,784,498
Transfers Out	0	(1,784,498)	0	0	0	(1,784,498)
Advance In	20,000	0	0	0	0	20,000
Advance Out	0	0	0	(20,000)	0	(20,000)
Total Other Financing Sources/(Uses)	946,286	(1,504,590)	965,428	688,388	67,588	1,163,100
Excess of Cash Receipts and Other Financing Sources						
Over/(Under) Cash Disbursements and Other						
Financing Uses	2,052	(31,178)	(7,024)	(685,402)	(3)	(721,555)
Fund Cash Balances/(Deficits), January 1, 2004	(63,078)	30,816	7,024	970,861	4	945,627
Fund Cash Balances/(Deficits), December 31, 2004	(\$61,026)	(\$362)	\$0	\$285,459	\$1	\$224,072
Reserve For Encumbrances	\$2,614	\$0	\$0	\$0	\$0	\$2,614

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, 2004

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Non-Operating Cash Receipts	<u>\$67,267</u>
Non-Operating Cash Disbursements	<u>62,508</u>
Excess of Receipts Over Disbursements	4,759
Fund Cash Balances, January 1, 2004	<u>18,636</u>
Fund Cash Balances, December 31, 2004	<u><u>\$23,395</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, 2005 AND DECEMBER 31, 2004

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, 2005 AND DECEMBER 31, 2004

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 various notes of the Village.

Capital Projects Fund – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

Water/Sewer Construction Fund – This fund 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 fund level of control with the exception of the general fund which was passed at the department level 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, 2005 AND DECEMBER 31, 2004

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 2005 and 2004 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:

	2005	2004
Demand deposits	(\$58,539)	(\$22,533)
Repurchase agreement	525,000	270,000
Total Deposits and Investments	<u>\$466,461</u>	<u>\$247,467</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, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2005 and December 31, 2004 was as follows:

2005 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,622,886	\$1,565,646	(\$57,240)
Special Revenue	2,624,905	2,568,700	(56,205)
Debt Service	923,153	923,081	(72)
Capital Projects	2,514,949	1,679,817	(835,132)
Fiduciary	167,673	160,390	(7,283)
Total	\$7,853,566	\$6,897,634	(\$955,932)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$1,612,196	\$1,387,570	\$153,568	\$71,058
Special Revenue	2,590,820	2,516,167	0	74,653
Debt Service	923,153	923,081	0	72
Capital Projects	2,053,990	1,690,869	30,000	333,121
Fiduciary	165,000	160,953	0	4,047
Total	\$7,345,159	\$6,678,640	\$183,568	\$482,951

2004 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,609,489	\$1,515,101	(\$94,388)
Special Revenue	2,691,298	2,388,111	(303,187)
Debt Service	972,795	965,428	(7,367)
Capital Projects	1,222,311	1,300,907	78,596
Fiduciary	167,001	165,504	(1,497)
Total	\$6,662,894	\$6,335,051	(\$327,843)

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

3. **BUDGETARY ACTIVITY** (continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$1,516,530	\$1,513,049	\$2,614	\$867
Special Revenue	2,618,845	2,419,289	0	199,556
Debt Service	973,000	972,452	0	548
Capital Projects	2,000,394	1,986,309	0	14,085
Fiduciary	166,245	160,748	0	5,497
Total	<u>\$7,275,014</u>	<u>\$7,051,847</u>	<u>\$2,614</u>	<u>\$220,553</u>

4. **NONCOMPLAINE**

Contrary to Ohio Rev. Code Section 5705.41(D), during 2005 and 2004, the Village did not always certify the availability of funds for its expenditures.

Contrary to Ohio Rev. Code Section 5705.10, the Village had negative cash balances in the General Fund, Street Construction, Maintenance and Repair Fund, Park and Recreation Fund and Police Station Construction Fund at December 31, 2004 and in the Community Development Block Grant Fund at December 31, 2005.

Contrary to Ohio Rev. Code Section 5705.36, the Village should have obtained an amended certificate for the General Fund, Street Construction, Maintenance and Repair Fund, Park and Recreation Fund, and Police Station Construction Fund in 2004 and for the Community Development Block Grant Fund at December 31, 2005.

5. **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.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

5. **PROPERTY TAX** (continued)

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.

6. **INCOME TAX**

The Village levies and collects an income tax of 2% 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 \$1,888,527 and \$1,838,805 of income taxes in 2005 and 2004, respectively.

7. **DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Note, 2005-1	\$785,000	2.80%
Various Purpose Note, 2005-2	250,000	3.21%
Various Purpose Note, 2005-3	<u>170,000</u>	4.39%
Total	<u><u>\$1,205,000</u></u>	

8. **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 2005 and 2004, 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.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004

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

Village Council
Village of Mogadore, Summit County
135 South Cleveland Avenue
Mogadore, OH 44260

We have audited the financial statements of Village of Mogadore, Summit County (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 12, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2005-001, 2005-002, and 2005-003.

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

We also noted additional matters that we reported to management of the Village in a separate letter dated January 12, 2007.

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

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

January 12, 2007

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004

<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>
2003-001	ORC Section 5705.41(D)	No	Not Corrected
2003-002	ORC Section 5705.10	No	Not Corrected
2003-003	Budgetary Compliance	No	Partially Corrected

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number 2005-001

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 (\$3,000), the Clerk/Treasurer may authorize payment through the Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

For 27% 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.

Corrective Action

The Village of Mogadore currently uses a stamp for the Then and Now Certificate. A solution to the finding is to have the Then and Now Certificate printed directly on the purchase orders. This will serve as a reminder to complete the certificate and eliminate forgetting the need to stamp each purchase order. Plans are to have this done when our next order for purchase orders is placed.

VILLAGE OF MOGADORE
SUMMIT COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2005 AND DECEMBER 31, 2004
FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS
(CONTINUED)

Finding Number 2005-002

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, 2004, the Village had a negative cash balance in the General Fund, Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund and Police Station Construction Fund for \$61,026, 22,464, 4,977, and 40,723, respectively. At December 31, 2005, the Village had a negative cash balance in the Community Development Block Grant Fund for \$58,217.

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.

Corrective Action

The CDBG funds for the 2005 project requested for reimbursement in October 2005 but did not received until January 10, 2006. Steps have been taken to help prevent negative fund balances, i.e. monitoring funds and, if necessary, cutting off any spending prior to the end of the year. Also, amending the Certificated of Estimated Resources, up or down, depending on revenues.

Finding Number 2005-003

Section 5705.36, Revised Code, requires a reduced Amended Certificate of Estimated Resources to be obtained if the amount of the deficiency between estimated and actual would reduce available resources below the current level of appropriations.

In 2004, amended certificates should have been obtained for the General Fund, Street Construction, Maintenance and Repair Fund, Park and Recreation Fund, and Police Station Construction Fund. In 2005, amended certificates should have been obtained for the Community Development Block Grant Fund.

Corrective Action

The solution to the deficiency between the estimated and actual revenues and/or appropriations would be to monitor the funds closely and adjust the Certificate of Estimated Recourses accordingly.



Mary Taylor, CPA
Auditor of State

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 17, 2007**