

**VILLAGE OF MOGADORE**

SUMMIT COUNTY

**INDEPENDENT ACCOUNTANTS' REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Dave Yost • Auditor of State

Village Council  
Village of Mogadore  
135 S. Cleveland Avenue  
Mogadore, Ohio 44260

We have reviewed the *Independent Accountants' Report* of the Village of Mogadore, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 Accountants' 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 Accountants' 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

January 17, 2013

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**VILLAGE OF MOGADORE, OHIO  
SUMMIT COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010**

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**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mogadore, Summit County, (the Village) as of and for the years ended December 31, 2011 and 2010. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1B, 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 ACCOUNTANTS' 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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Mogadore, Summit County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1B describes.

As described in Note 1F, during 2011 the Village of Mogadore adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, 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 opine 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 should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified public Accountants

September 10, 2012



**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, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$134,578	\$21,187	\$0	\$0	\$155,765
Municipal Income Tax	0	2,280,022	0	0	2,280,022
Intergovernmental	212,414	207,020	0	338,886	758,320
Charges for Services	0	102,115	0	0	102,115
Fines, Licenses and Permits	107,944	5,940	0	0	113,884
Earnings on Investments	1,557	0	0	0	1,557
Miscellaneous	80,818	7,324	0	260	88,402
<i>Total Cash Receipts</i>	<u>537,311</u>	<u>2,623,608</u>	<u>0</u>	<u>339,146</u>	<u>3,500,065</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,128,620	187,849	0	0	1,316,469
Public Health Services	20,812	19,766	0	0	40,578
Leisure Time Activities	0	86,523	0	0	86,523
Basic Utility Services	21,408	0	0	0	21,408
Transportation	0	441,833	0	756,954	1,198,787
General Government	443,968	87,927	0	0	531,895
Capital Outlay	30,361	0	0	24,017	54,378
Debt Service:					
Redemption of Principal	0	0	835,000	140,000	975,000
Interest and Fiscal Charges	0	0	19,130	4,914	24,044
<i>Total Cash Disbursements</i>	<u>1,645,169</u>	<u>823,898</u>	<u>854,130</u>	<u>925,885</u>	<u>4,249,082</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,107,858)</u>	<u>1,799,710</u>	<u>(854,130)</u>	<u>(586,739)</u>	<u>(749,017)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Proceeds of Notes	0	0	810,000	0	810,000
Transfers In	1,012,725	407,500	44,074	493,499	1,957,798
Transfers Out	0	(1,957,798)	0	0	(1,957,798)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,012,725</u>	<u>(1,550,298)</u>	<u>854,074</u>	<u>493,499</u>	<u>810,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(95,133)</u>	<u>249,412</u>	<u>(56)</u>	<u>(93,240)</u>	<u>60,983</u>
<i>Fund Cash Balances , January 1</i>	<u>(153,916)</u>	<u>412,842</u>	<u>(43,909)</u>	<u>649,823</u>	<u>864,840</u>
<b>Fund Cash Balances , December 31</b>					
Restricted	0	51,967	0	1,738,494	1,790,461
Committed	0	624,862	0	0	624,862
Assigned	7,920	0	0	0	7,920
Unassigned (Deficit)	<u>(256,969)</u>	<u>(14,575)</u>	<u>(43,965)</u>	<u>(1,181,911)</u>	<u>(1,497,420)</u>
<i>Fund Cash Balances , December 31</i>	<u><u>(\$249,049)</u></u>	<u><u>\$662,254</u></u>	<u><u>(\$43,965)</u></u>	<u><u>\$556,583</u></u>	<u><u>\$925,823</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 Balance (Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2011**

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$97,686</u>
<b>Operating Cash Disbursements</b>	
Other	<u>99,744</u>
Operating (Loss) / Net Change in Fund Cash Balance	<u>(2,058)</u>
Fund Cash Balance, January 1	<u>30,028</u>
Fund Cash Balance, December 31	<u><u>\$27,970</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, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$134,689	\$21,670	\$0	\$0	\$156,359
Municipal Income Tax	0	2,062,510	0	0	2,062,510
Intergovernmental	299,757	213,904	0	944,747	1,458,408
Charges for Services	0	100,085	0	0	100,085
Fines, Licenses and Permits	75,279	4,248	0	0	79,527
Special Assessments	0	0	0	0	0
Earnings on Investments	868	0	0	0	868
Miscellaneous	53,701	11,282	0	0	64,983
<i>Total Cash Receipts</i>	<u>564,294</u>	<u>2,413,699</u>	<u>0</u>	<u>944,747</u>	<u>3,922,740</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	962,644	218,269	0	0	1,180,913
Public Health Services	20,816	19,843	0	0	40,659
Leisure Time Activities	0	76,396	0	0	76,396
Community Environment	617	0	0	0	617
Transportation	0	393,334	0	0	393,334
General Government	458,378	76,622	0	0	535,000
Capital Outlay	3,384	380	0	1,626,355	1,630,119
Debt Service:					
Redemption of Principal	0	0	855,000	220,000	1,075,000
Interest and Fiscal Charges	0	0	27,444	8,688	36,132
<i>Total Cash Disbursements</i>	<u>1,445,839</u>	<u>784,844</u>	<u>882,444</u>	<u>1,855,043</u>	<u>4,968,170</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(881,545)</u>	<u>1,628,855</u>	<u>(882,444)</u>	<u>(910,296)</u>	<u>(1,045,430)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Proceeds of Notes	0	0	835,000	140,000	975,000
Transfers In	761,684	438,965	47,500	492,970	1,741,119
Transfers Out	(21,150)	(1,719,969)	0	0	(1,741,119)
Other Financing Sources	0	0	0	1,525	1,525
<i>Total Other Financing Receipts (Disbursements)</i>	<u>740,534</u>	<u>(1,281,004)</u>	<u>882,500</u>	<u>634,495</u>	<u>976,525</u>
<i>Net Change in Fund Cash Balances</i>	<u>(141,011)</u>	<u>347,851</u>	<u>56</u>	<u>(275,801)</u>	<u>(68,905)</u>
<i>Fund Cash Balances, January 1</i>	<u>(12,905)</u>	<u>64,991</u>	<u>(43,965)</u>	<u>925,624</u>	<u>933,745</u>
<i>Fund Cash Balances, December 31</i>	<u>(153,916)</u>	<u>412,842</u>	<u>(43,909)</u>	<u>649,823</u>	<u>864,840</u>
<i>Reserve For Encumbrances</i>	<u>\$10,818</u>	<u>\$4,971</u>	<u>\$0</u>	<u>\$211,400</u>	<u>\$227,189</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 Balance (Cash Basis)**  
**Fiduciary Fund Type**  
**For the Year Ended December 31, 2010**

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Fines, Licenses and Permits	<u>\$78,162</u>
<b>Operating Cash Disbursements</b>	
Other	<u>69,457</u>
Operating Income / Net Change in Fund Cash Balance	<u>8,705</u>
Fund Cash Balance, January 1	<u>21,323</u>
Fund Cash Balance, December 31	<u><u>\$30,028</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, 2011 AND DECEMBER 31, 2010

**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. The Village is located within both Summit and Portage counties. 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 the 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie, when an encumbrance is approved).

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

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.

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 reports all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - These funds account for proceeds from specific sources (other than from private-purpose 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  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

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

*Income Tax Fund* – This fund receives municipal income tax money to be used for purposes designated by the voters and Village ordinance.

**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.

**Capital Projects Funds** – These funds account for receipts restricted to acquiring or constructing major capital projects. 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.

**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 did not have any trust funds. The Village's significant Agency Fund accounts for fines collected by the Mayor's Court.

E. Budgetary Process

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

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or department 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.

**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 individual commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011 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:

**Nonspendable**

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

**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.

**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.

**Assigned**

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

**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.

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

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 investment 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:

	2011	2010
Demand deposits	(\$21,207)	(\$5,132)
Repurchase agreement	975,000	900,000
Total deposits and investments	\$953,793	\$894,868

**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, 2011 AND DECEMBER 31, 2010

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 was as follows:

**2011 Budget vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,663,427	\$1,550,036	(\$113,391)
Special Revenue	3,082,718	3,031,108	(51,610)
Debt Service	855,600	854,074	(1,526)
Capital Projects	1,095,000	832,645	(262,355)
Total	<u>\$6,696,745</u>	<u>\$6,267,863</u>	<u>(\$428,882)</u>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,716,401	\$1,653,089	\$63,312
Special Revenue	3,101,666	2,781,696	319,970
Debt Service	856,600	854,130	2,470
Capital Projects	961,400	2,664,379	(1,702,979)
Total	<u>\$6,636,067</u>	<u>\$7,953,294</u>	<u>(\$1,317,227)</u>

**2010 Budget vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,523,608	\$1,325,978	(\$197,630)
Special Revenue	2,849,718	2,852,664	2,946
Debt Service	882,500	882,500	0
Capital Projects	1,598,634	1,579,242	(19,392)
Total	<u>\$6,854,460</u>	<u>\$6,640,384</u>	<u>(\$214,076)</u>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,526,557	\$1,477,807	\$48,750
Special Revenue	3,101,666	2,509,784	591,882
Debt Service	882,500	882,444	56
Capital Projects	1,771,224	2,066,443	(295,219)
Total	<u>\$7,281,947</u>	<u>\$6,936,478</u>	<u>\$345,469</u>

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

**3. BUDGETARY ACTIVITY (continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water/Sewer Construction Fund by \$1,703,962 in 2011 and by \$299,939 in 2010.

Contrary to Ohio law, the Village had cash deficit balances in the; General fund at December 31, 2011 and December 31, 2010; Street Maintenance, Construction and Repair Fund at February 28, 2010 and May 31, 2010; Parks and Recreation Fund at February 28, 2010; Cemetery Fund at December 31, 2011 and December 31, 2010; Police Pension Fund at December 31, 2011; and the Debt Service Fund at December 31, 2011 and December 31, 2010.

Contrary to Ohio law, in 2010 the Village transferred monies from the General Fund to the Street Maintenance, Construction and Repair; Parks and Recreation; and Fire Grant Funds without proper legislation passed by Village Council.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for 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 taxes on personal and real property located within the Village.

Tangible personal property tax is assessed by 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 levied a municipal income tax of 2.00 percent through June 30, 2010. Effective July 1, 2010, the Village levied 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 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.

VILLAGE OF MOGADORE  
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NOTES TO THE FINANCIAL STATEMENTS  
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**6. DEBT**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Improvement Note 2011-2	\$625,000	2.00%
Various Purpose Improvement Note 2011-1	<u>\$185,000</u>	2.78%
Total	<u>\$810,000</u>	

Various Purpose Improvement Note 2011-2 was issued March 14, 2011, in the amount of \$625,000. The note matures March 14, 2012, at an interest rate of 2.00%. The note was issued in anticipation of the issuance of bonds to pay costs of constructing, furnishing, equipping, and 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 Note, Series 2011-1 was issued August 12, 2011, in the amount of \$185,000. The note matures August 11, 2012, at an interest rate of 2.78%. The note was issued in anticipation of the issuance of bonds to pay costs of acquiring trucks for the Village Service Department and constructing and installing improvements to the Village municipal building.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and Fire Chief 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 2011 and 2010, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of the Fire Chief's wages. OPERS members contributed 10 percent of their wages for 2011 and 2010. The Village contributed an amount equal to 14 percent for 2011 and 2010 of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**9. SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through September 10, 2012, the date the financial statements were available to be issued.

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

Village of Mogadore  
Summit County  
135 South Cleveland Avenue  
Mogadore, Ohio 44260

To the Village Council:

We have audited the financial statements of the Village of Mogadore, Summit County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 10, 2012 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 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, providing an opinion 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 and responses as items 2011-03 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 10, 2012.

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

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

September 10, 2012

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

Finding 2011-01

Material Weakness

Sound financial reporting is the responsibility of the Clerk/Treasurer of the Village and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Failure to correctly record revenues and expenditures may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions, and result in material misstatement of the financial statements.

The following adjustments have been made to correctly reflect the financial activity of the Village:

Intergovernmental receipts were incorrectly recorded as property and other local taxes. The amounts were \$32,951 and \$87,693 in 2011 and 2010 respectively, in the General Fund and \$7,725 and \$5,730 in 2011 and 2010, respectively, in the Police Pension Fund.

State and local highway distribution was incorrectly recorded in the General Fund in the amount to \$4,173 rather than the Street Maintenance, Construction and Repair, and State Highway Funds in 2010.

Capital Outlay in the amount of \$199,801, was incorrectly recorded as other financing uses in the CDBG Fund in 2010.

Capital Outlay in the amount of \$756,954, was incorrectly recorded as transportation expenditures in the Water/Sewer Fund in 2011.

Transfers-Out in the General Fund were recorded as negative revenue in Transfers-In in the amount of \$21,150 in 2010.

Response: Management is aware of the errors and steps have been taken to make the necessary corrections.

Finding 2011-02

Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records at a specific point in time.

From March 2011 through December 31, 2011, the Village did not fully reconcile the balance of the

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
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FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH GAGAS

bank and the balance of cash in the accounting records. Reconciliations were performed monthly (except for November 2011), however, unreconciled amounts were included as outstanding checks, resulting in bank balances that appear to reconcile with the bank balance of the Village. Unreconciled differences during this period ranged from the book balance being higher than the bank balance at March 31, 2011 by \$955.54 to the bank balance being higher than the book balance by \$1,260.22 at December 31, 2011.

Without complete and accurate monthly bank reconciliations the Village's internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Village's management. In addition, the Village's management is not provided with timely fiscal information that is vital to the continued operation and decision making process of the Village.

The Village needs to prepare accurate monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward from month to month. All reconciling items should be appropriately documented.

Response: A greater effort will be made to assure that accurate bank reconciliations are done each month.

Finding 2011-03                      Noncompliance

Section 5705.41(B), Ohio Revised Code, states that no subdivision is to expend money unless it has been appropriated. The following funds had expenditures plus encumbrances exceeding appropriation authority.

<u>As of December 31, 2011</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Water/Sewer Construction	\$936,400	\$2,640,362	\$1,703,962
<u>As of December 31, 2010</u>			
<u>Fund</u>	<u>Appropriation</u>	<u>Budgetary</u>	
	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Water/Sewer Construction	\$1,741,109	\$2,041,048	\$299,939

The Clerk/Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid overspending.

Response: The Clerk-Treasurer and Council will make every effort to ensure that expenses and outstanding encumbrances are monitored to avoid overspending.



VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

Finding 2011-04      Noncompliance

Section 5705.10, Ohio Revised Code, states, in part, money that is paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Negative fund balances occurred as follows:

<u>Fund</u>	<u>February 28, 2010</u>	<u>May 31, 2010</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>
General			(\$153,916)	(\$249,049)
Street Maint., Construction and Repair	(\$97,091)	(\$25,233)		
Parks and Recreation	(\$20,806)			
Debt Service			(\$43,909)	(\$43,965)
Cemetery			(\$16,190)	(\$14,520)
Police Pension				(\$55)

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of those 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.

Response: The Clerk-Treasurer and Council are making every effort to control spending and are keeping a close watch on the appropriations, making amendments when necessary.

Finding 2011-05      Noncompliance

Section 37.10 and 37.23 Code of Ordinances of the Village of Mogadore identifies the purpose of the Municipal income tax and how the income tax is to be allocated. Section 37.23(A)(3) states, “At least 25% of net available income tax receipts received annually there from shall be set aside and used for capital development and construction of storm sewers and street improvements, for public buildings, and for equipment necessary for the police, fire, street, traffic and safety departments.”

For both 2011 and 2010, the Village did not allocate income tax receipts in a manner to assure income tax collections were set aside and used as described above. In 2011 \$69,641 and \$220,099 in 2010 were used for operating rather than set aside or used for capital development and construction of storm sewers and street improvements, for public buildings, and for equipment necessary for the police, fire, street, traffic and safety divisions. Adjustments were made to move the receipts back into the Municipal Income Tax Fund.

Response: Due to the economic climate at the time, no capital projects or purchases were made

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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

during 2011 and 2010 and employees took a 10% pay cut to help meet the general operating expenses of the Village. With voter approval, the municipal income rate was increased 0.25% bringing the total local tax rate to 2.25% beginning July 1, 2010. The additional revenue assisted with bringing the Village's finances back to positive balances. In 2012 the Village has again appropriated funds for capital expenditures.

Village council will be considering legislation to update the allocation of the tax revenues as established in 1972 with 95% of net available income tax receipts received annually there-from to be used to defray operating expenses of the Village. The funds that should have been used for capital expenditures have been moved back to the Income Tax fund.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND DECEMBER 31, 2010**

<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>
2009-01	Audit Adjustments	No	Not Corrected Reissued as Finding 2011-01
2009-02	ORC Section 5705.36(A)(4) Amended Certificate of estimated resources	No	Partially Corrected, see similar management letter comment
2009-03	ORC Section 5705.41(B) Expenditures plus encumbrances exceeded appropriations	No	Not Corrected Reissued as Finding 2011-03
2009-04	ORC Section 5705.10 Negative cash balances	No	Not Corrected Reissued as Finding 2011-04
2009-05	ORC Section 5705.14, 5705.15 and 5705.16 Transfers	No	Partially Corrected, see similar management letter comment

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# Dave Yost • 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  
JANUARY 29, 2013