



**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001-2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



VILLAGE OF MOGADORE  
SUMMIT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types For the Year Ended December 31, 2001 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types For the Year Ended December 31, 2000 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Agency Fund For the Years Ended December 31, 2001 and 2000 .....	5
Notes to the Financial Statements .....	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	19

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mogadore, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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 as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

August 23, 2002

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$172,567				\$27,106	\$199,673
Income Tax	703,000	\$404,591	\$189,557	\$457,000	35,000	1,789,148
Intergovernmental	344,855	187,318		480,002		1,012,175
Charges for Services		26,478				26,478
Fines, Licenses, and Permits	44,596	4,239				48,835
Earnings on Investments	21,212	175				21,387
Miscellaneous	68,836	14,133				82,969
<b>Total Cash Receipts</b>	<b>1,355,066</b>	<b>636,934</b>	<b>189,557</b>	<b>937,002</b>	<b>62,106</b>	<b>3,180,665</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	864,517	21,757			83,179	969,453
Public Health Services	26,189	23,561				49,750
Leisure Time Activities		111,319				111,319
Community Environment	2,082					2,082
Transportation		419,177				419,177
General Government	463,482	35,519				499,001
Debt Service:						
Principal Payments	483,100		178,700	200,000		861,800
Interest Payments			11,001	33,448		44,449
Capital Outlay	59,281	64,728		875,659		999,668
<b>Total Cash Disbursements</b>	<b>1,898,651</b>	<b>676,061</b>	<b>189,701</b>	<b>1,109,107</b>	<b>83,179</b>	<b>3,956,699</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(543,585)	(39,127)	(144)	(172,105)	(21,073)	(776,034)
<b>Other Financing Receipts:</b>						
Proceeds of Notes	483,100					483,100
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(60,485)	(39,127)	(144)	(172,105)	(21,073)	(292,934)
Fund Cash Balances, January 1	66,937	53,146	159	261,451	11,792	393,485
<b>Fund Cash Balances, December 31</b>	<b>\$6,452</b>	<b>\$14,019</b>	<b>\$15</b>	<b>\$89,346</b>	<b>(\$9,281)</b>	<b>\$100,551</b>
Reserves for Encumbrances, December 31	\$43,038	\$2,035	\$0	\$267,452	\$0	\$312,525

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

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$153,673				\$24,478	\$178,151
Income Tax	815,919	\$403,600	\$77,500	\$155,900	64,000	1,516,919
Intergovernmental	280,891	185,240		114,710		580,841
Charges for Services		27,723				27,723
Fines, Licenses, and Permits	32,822	3,258				36,080
Earnings on Investments	14,307	4,588				18,895
Miscellaneous	43,922	14,731				58,653
<b>Total Cash Receipts</b>	<b>1,341,534</b>	<b>639,140</b>	<b>77,500</b>	<b>270,610</b>	<b>88,478</b>	<b>2,417,262</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	847,399	12,681			80,567	940,647
Public Health Services	23,952	22,705				46,657
Leisure Time Activities		111,271				111,271
Community Environment	2,096					2,096
Transportation		398,243				398,243
General Government	424,435	30,082				454,517
Debt Service:						
Principal Payments	111,800		70,000			181,800
Interest Payments			7,708			7,708
Capital Outlay	414,487	192,453		670,537		1,277,477
<b>Total Cash Disbursements</b>	<b>1,824,169</b>	<b>767,435</b>	<b>77,708</b>	<b>670,537</b>	<b>80,567</b>	<b>3,420,416</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(482,635)</b>	<b>(128,295)</b>	<b>(208)</b>	<b>(399,927)</b>	<b>7,911</b>	<b>(1,003,154)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Proceeds of Notes	226,800			635,000		861,800
Transfers-In	7,481					7,481
Transfers-Out		(7,481)				(7,481)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>234,281</b>	<b>(7,481)</b>	<b>0</b>	<b>635,000</b>	<b>0</b>	<b>861,800</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(248,354)</b>	<b>(135,776)</b>	<b>(208)</b>	<b>235,073</b>	<b>7,911</b>	<b>(141,354)</b>
Fund Cash Balances, January 1	315,291	188,922	367	26,378	3,881	534,839
<b>Fund Cash Balances, December 31</b>	<b>\$66,937</b>	<b>\$53,146</b>	<b>\$159</b>	<b>\$261,451</b>	<b>\$11,792</b>	<b>\$393,485</b>
Reserves for Encumbrances, December 31	\$54,607	\$18,821	\$0	\$120,885	\$0	\$194,313

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



**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - AGENCY FUND  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

	2001	2000
<b>Non-Operating Cash Receipts:</b>		
Other Non-Operating Receipts	\$54,411	\$45,688
<b>Non-Operating Cash Disbursements:</b>		
Other Non-Operating Cash Disbursements	51,578	37,486
Excess of Receipts Over Disbursements	2,833	8,202
Fund Cash Balances, January 1	16,262	8,060
<b>Fund Cash Balances, December 31</b>	<b>\$19,095</b>	<b>\$16,262</b>
Reserves for Encumbrances, December 31	\$0	\$0

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

**This page intentionally left blank.**

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Mogadore, Summit County, (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 received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash**

The Village maintains interest bearing checking accounts, certificates of deposit, and an overnight repurchase agreement.

**D. Fund Accounting**

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

**1. 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.

**2. 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

*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.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

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

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Projects Funds:

*Water/Sewer Main Project Fund* - This fund receives note proceeds and a portion of income tax revenue which are used for the replacement of water and sewer infrastructure.

*State Grant-Issue II Fund* - This fund receives Issue II monies from the Ohio Public Works Commission which is used for the Water/Sewer Main Infrastructure project.

**5. Fiduciary Funds (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 had the following significant fiduciary funds:

*Police Disability and Pension Fund* – This fund receives real estate tax proceeds and is used to account for police disability and pension contributions.

*Mayor's Court Fund* – This fund is used to account for fine monies from traffic violations and other Mayor's Court activities.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**E. Budgetary Process (Continued)**

**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 also approve estimated resources.

**3. 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. The Village did not encumber all commitments required by Ohio law. However, no material amounts were found that required adjustment.

A summary of 2001 and 2000 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:

	2001	2000
Demand deposits	(\$21,058)	(\$19,775)
Certificates of deposit	60,704	84,522
Total deposits	39,646	64,747
Repurchase agreement	80,000	345,000
Total deposits and investments	\$119,646	\$409,747

**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 not in the Village's name.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,103,282	\$1,838,166	(\$265,116)
Special Revenue	1,105,643	636,934	(468,709)
Debt Service	190,000	189,557	(443)
Capital Projects	1,578,630	937,002	(641,628)
Fiduciary	143,432	116,517	(26,915)
Total	\$5,120,987	\$3,718,176	(\$1,402,811)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,105,085	\$1,941,689	\$163,396
Special Revenue	1,123,408	678,096	445,312
Debt Service	190,000	189,701	299
Capital Projects	1,438,300	1,376,559	61,741
Fiduciary	143,027	134,757	8,270
Total	\$4,999,820	\$4,320,802	\$679,018

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,857,264	\$1,575,815	(\$281,449)
Special Revenue	1,174,936	639,140	(535,796)
Debt Service	80,000	77,500	(2,500)
Capital Projects	1,191,272	905,610	(285,662)
Fiduciary	132,575	134,166	1,591
Total	\$4,436,047	\$3,332,231	(\$1,103,816)

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,886,408	\$1,878,776	\$7,632
Special Revenue	1,257,196	793,737	463,459
Debt Service	80,000	77,708	2,292
Capital Projects	1,167,562	791,422	376,140
Fiduciary	121,107	118,053	3,054
Total	\$4,512,273	\$3,659,696	\$852,577

**4. NONCOMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), certain 2001 and 2000 expenditures were not certified prior to incurring the commitment.

Contrary to Ohio Rev. Code Section 5705.10, at December 31, 2001, the Capital Projects State Grant – Issue II and Expendable Trust Police Disability and Pension Funds had cash deficit balances of \$18,193; and \$9,281; respectively.

**5. PROPERTY TAX**

The Village receives property taxes from Summit and Portage Counties. Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 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.

**6. LOCAL INCOME TAX**

The Village levies a municipal income tax of two 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.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**7. DEBT**

The Village has a \$483,100, 4% interest rate, Various Purpose Note outstanding at December 31, 2001.

The Various Purpose note relates to the water and sewer infrastructure replacement project (\$435,000) and the purchase of a property adjacent to Village Hall. The note will be repaid with interest on July 31, 2002.

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**9. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

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

**10. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.





**STATE OF OHIO  
OFFICE OF THE AUDITOR**

**JIM PETRO, AUDITOR OF STATE**

111 Second Street, NW  
Fourth Floor  
Canton, Ohio 44702  
Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
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 accompanying financial statements of the Village of Mogadore, Summit County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 23, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-30977-001 and 2001-30977-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 23, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2001-30977-003 and 2001-30977-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 23, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized loop at the end of the signature.

**Jim Petro**  
Auditor of State

August 23, 2002

VILLAGE OF MOGADORE  
SUMMIT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2001-30977-001

**Ohio Rev. Code Section 5705.41 (D)** 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 expenditure 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 from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, the Clerk/Treasurer may authorize payment through the Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

For 38% of the expenditures tested, the Clerk/Treasurer did not certify the availability of funds 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 Clerk/Treasurer should certify that funds are available for expenditure. The Clerk/Treasurer should inform all Village employees of the requirements of the above code section. The Village should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by the above code section. However, such certificates should only be used for reoccurring and reasonably predictable matters or emergency matters which may arise from time to time.

FINDING NUMBER 2001-30977-002

**Ohio Rev. Code Section 5705.10** requires that monies paid into any fund be used only for the purposes for which such fund is established. At December 31, 2001, the Village had negative cash fund balances in the following funds:

<u>Fund Type/Fund</u>	<u>Fund Cash Deficit (rounded)</u>
Capital Projects Funds State Grant – Issue II	\$18,000
Expendable Trust Funds Police Disability and Pension	9,200

**NONCOMPLIANCE CITATIONS  
(Continued)**

**FINDING NUMBER 2001-30977-002  
(Continued)**

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. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code and Auditor of State Bulletin 97-003.

**RECOMMENDATIONS**

**FINDING NUMBER 2001-30977-003**

Mayor's Court Activity

While testing Mayor's Court activity, the following issues were noted:

- Although the Mayor's Court Clerk completed monthly reconciliations of the Court's activities, proper bank to book reconciliations were not performed as of the bank statement date. For example, for December 2000, the Mayor's Court Clerk reconciled the total receipts recorded within the Cashbook during the month to the bank statement and deducted the total disbursement of those funds from the bank balance to arrive at a "book balance" after all activity related to the month's receipts was completed. In actuality, the majority of the disbursements did not occur until January 8, 2001. By reconciling the Mayor's Court books in this manner, the month's outstanding checks were overstated and the book balance was understated.
- In order to facilitate the balancing practices above, the Mayor's Court Clerk regularly backdated the checks disbursed from the Mayor's Court bank account to the last day of the month in which the related receipts were received. By backdating the checks disbursed to the Village, the Mayor's Court Clerk created the appearance of noncompliance on the Village's part with timely deposit requirements under Ohio Rev. Code Section 9.38.
- The Clerk/Treasurer recorded the activity of the Mayor's Court in the Village's accounting system based upon the completed Mayor's Court report. By waiting to record the activity until the subsequent month, a one month timing lag was created in the accounting system. This timing lag created further difficulty in the reconciliation process and eroded proper period cut off. Additionally, by recording the amounts from the Mayor's Court report, the errors within the Mayor's Court reconciliation as mentioned above were reflected in the Village's accounting system.
- Although the Clerk/Treasurer completed monthly bank to book reconciliations of the Village's general operating checking account, no consolidated bank to book reconciliation was performed for all Village's various bank accounts. As a result, the cash reconciliations included within the 2001 and 2000 Unaudited Cash Basis Annual Financial Reports did not properly reflect the activity of the Mayor's Court checking account.
- The Clerk/Treasurer recorded the Mayor's Court activity in a Non-Expendable Trust Fund rather than in a Agency Fund.

**RECOMMENDATIONS  
(Continued)**

**FINDING NUMBER 2001-30977-003  
(Continued)**

In order to correct these deficiencies and properly record the Mayor's Court activity, the Village should consider the following:

- The Mayor's Court Clerk should perform monthly bank to book reconciliations by reconciling the bank statement balance to the Mayor's Court checkbook balance as of the statement date.
- All Mayor's Court disbursements should be dated as of the actual disbursement date.
- To comply with the cash receipts and disbursements basis of accounting, the Clerk/Treasurer should record all receipts received by the Mayor's Court in the period in which they are received. Similarly, all Mayor's Court disbursements should be recorded in the period in which they are paid.
- The Clerk/Treasurer should perform a monthly consolidated bank to book reconciliation of all Village accounts, including the Mayor's Court checking account.
- The Clerk/Treasurer should record the activity of the Mayor's Court in an Agency Fund.

The Village is in the process of correcting these issues.

**FINDING NUMBER 2001-30977-004**

Budgetary Compliance

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

- For 4 out of 6 funds tested in each year, estimated resources recorded in the Village's accounting system did not reconcile with the final amended certificate. The total difference for all budgeted funds was \$126,894 and \$27,885, in 2001 and 2000, respectively.
- For 2 out of 6 funds tested in each year, appropriations recorded the Village's accounting system did not reconcile with the Council approved ordinances. The total difference for all budgeted funds was \$44,000 and \$114,860 in 2001 and 2000, respectively.
- For the General Fund, the January 1, 2000 beginning unencumbered fund balance within the Village's accounting system did not reconcile with the final amended certificate due to improper adjustment for purchase orders certified in 2000.
- In 2001 and 2000, Council approved the annual appropriation measure at the fund/function/object legal level of control; however, subsequently approved amended appropriations were approved at the fund/function or fund level only.
- During 2001 and 2000, estimated resources exceeded actual receipts in every fund with the exception of the Special Revenue State Grant Fund ranging from approximately \$400 to \$640,000.

**RECOMMENDATIONS**  
**(Continued)**

**FINDING NUMBER 2001-30977-004**  
**(Continued)**

Inaccurate budgetary information increases the possibility of overspending by the Village and could result in violations of various sections of the Ohio Rev. Code. In order to correct these deficiencies, the Village should consider the following:

- For each amended certificate received, the Clerk/Treasurer should ensure that all changes in estimated amounts are properly posted to the accounting system.
- The Clerk/Treasurer should ensure that all appropriations approved by Council are properly posted to the accounting system.
- The Clerk/Treasurer should ensure that beginning balances on the Official Certificate of Estimated Resources reconcile to the accounting system.
- Village Council should determine their legal level of control and ensure that all appropriations are consistently approved at that level.
- The Clerk/Treasurer should monitor the variances between estimated resources and actual receipts and if appropriate, obtain a reduced amended certificate.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-30977-001	<b>Ohio Rev. Code Section 5705.41(B)</b> Expenditures exceeding appropriations	Yes	
1999-30977-002	<b>Ohio Rev. Code Section 5705.42</b> Grant monies not recorded on Village's ledgers	Yes	
1999-30977-003	<b>Ohio Rev. Code Section 5705.39</b> Total appropriations exceeding total estimated revenue	No	Not Corrected – Refer to Management Letter
1999-30977-004	<b>Ohio Rev. Code Section 5705.41(D)</b> Improper certification	No	Not Corrected – Refer to Finding Number 2001-30977-001







STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
NOVEMBER 7, 2002**