

VILLAGE OF MENDON
MERCER COUNTY, OHIO

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



**Auditor of State
Betty Montgomery**

City Council
Village of Mendon

We have reviewed the Independent Auditor's Report of the Village of Mendon, Mercer County, prepared by E.S. Evans and Company, for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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BETTY MONTGOMERY
Auditor of State

July 7, 2004

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THE VILLAGE OF MENDON
MERCER COUNTY, OHIO

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT ----- 1

COMBINED STATEMENT OF CASH, INVESTMENTS, AND FUND CASH
BALANCES - ALL FUND TYPES ----- 3

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
AND SIMILAR FIDUCIARY FUNDS ----- 4

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCE - ALL PROPRIETARY FUND TYPES AND
SIMILAR FIDUCIARY FUNDS ----- 8

NOTES TO FINANCIAL STATEMENTS ----- 10

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS ----- 18

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 3, 2004

INDEPENDENT AUDITOR'S REPORT

Village of Mendon
Mercer County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the accompanying combined financial statements of the Village of Mendon, as of and for the years ended December 31, 2003 and 2002. These combined financial statements are the responsibility of the Village of Mendon's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 discussed in Note 1, the Village of Mendon prepares its combined 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 combined financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the Village of Mendon, as of December 31, 2003 and 2002, 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 a report dated June 3, 2004 on our consideration of the Village of Mendon's internal control over financial reporting and on 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 audit.

Village of Mendon
Auditor of State of Ohio
June 3, 2004
Page 2

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

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VILLAGE OF MENDON
MERCER COUNTY, OHIO

COMBINED STATEMENT OF CASH, INVESTMENTS,
AND FUND CASH BALANCES - ALL FUND TYPES

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>POOLED CASH AND INVESTMENTS</u>		
Cash	\$ 279,570	\$ 353,819
Investments - Cash Equivalents	<u>136,582</u>	<u>135,080</u>
Total	<u>\$ 416,152</u>	<u>\$ 488,899</u>

POOLED CASH AND INVESTMENT BALANCES BY FUND TYPE

Governmental Funds:

General Fund	\$ 51,283	\$ 80,001
Special Revenue Funds	90,176	82,702

Proprietary Funds:

Enterprise Funds	271,270	322,728
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Fiduciary Funds:

Expendable Trust Funds	755	755
Non-Expendable Trust Funds	<u>2,668</u>	<u>2,713</u>

Total	<u>\$ 416,152</u>	<u>\$ 488,899</u>
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The accompanying notes are an integral part
of these financial statements.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2003

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Expendable Trust
<u>Revenue Receipts:</u>			
Local Taxes	\$ 25,386	\$ 7,995	\$ -
Intergovernmental Revenues	11,126	18,736	-
Charges for Services	-	8,071	-
Fines, Licenses, and Permits	85	-	-
Interest	568	417	-
Miscellaneous	8,416	-	-
Total Revenue Receipts	45,581	35,219	-
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	23,618	-	-
Public Health and Welfare	-	6,877	-
Leisure Time Activities	-	-	-
Community Environment	-	-	-
Basic Utility Services	132	-	-
Transportation	7,627	23,868	-
General Government	39,922	-	-
Total Expenditure Disbursements	71,299	30,745	-
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	(25,718)	4,474	-
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	-	3,000	-
Operating Transfers-Out	(3,000)	-	-
Total Other Financing Sources (Uses)	(3,000)	3,000	-
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	(28,718)	7,474	-
<u>Fund Cash Balance - January 1, 2003</u>	80,001	82,702	755
<u>Fund Cash Balance - December 31, 2003</u>	\$ 51,283	\$ 90,176	\$ 755

The accompanying notes are an integral part
of these financial statements.

<u>Totals</u>	
<u>(Memorandum</u>	
<u>Only)</u>	
\$	33,381
	29,862
	8,071
	85
	985
	<u>8,416</u>
	<u>80,800</u>
	23,618
	6,877
	-
	-
	132
	31,495
	<u>39,922</u>
	<u>102,044</u>
	<u>(21,244)</u>
	3,000
	<u>(3,000)</u>
	<u>-</u>
	(21,244)
	<u>163,458</u>
\$	<u><u>142,214</u></u>

VILLAGE OF MENDON
MERCER COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2002

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Expendable Trust
<u>Revenue Receipts:</u>			
Local Taxes	\$ 26,068	\$ 8,179	\$ -
Intergovernmental Revenues	22,573	15,731	-
Charges for Services	-	5,389	-
Fines, Licenses, and Permits	15	-	-
Interest	3,985	915	-
Miscellaneous	2,184	-	-
Total Revenue Receipts	54,825	30,214	-
<u>Expenditure Disbursements:</u>			
Current -			
Security of Persons and Property	21,232	-	-
Public Health and Welfare	-	7,080	-
Leisure Time Activities	-	-	-
Community Environmnet	-	-	-
Basic Utility Services	133	-	-
Transportation	6,348	15,821	-
General Government	31,826	-	-
Total Expenditure Disbursements	59,539	22,901	-
Total Revenue Receipts Over/(Under)			
Expenditure Disbursements	(4,714)	7,313	-
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	1,265	3,000	-
Operating Transfers-Out	(4,265)	-	-
Total Other Financing Sources (Uses)	(3,000)	3,000	-
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	(7,714)	10,313	-
Fund Cash Balance - January 1, 2002	87,715	72,389	755
Fund Cash Balance - December 31, 2002	\$ 80,001	\$ 82,702	\$ 755

The accompanying notes are an integral part
of these financial statements.

Totals
(Memorandum
Only)

\$ 34,247
38,304
5,389
15
4,900
2,184

85,039

21,232
7,080
-
-
133
22,169
31,826

82,440

2,599

4,265

(4,265)

-

2,599

160,859

\$ 163,458

VILLAGE OF MENDON
MERCER COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2003

	Enterprise	Non-Expendable Trust	Totals (Memorandum Only)
<u>Operating Receipts:</u>			
Charges for Services	\$ 520,934	\$ -	\$ 520,934
Interest	238	30	268
Miscellaneous	-	-	-
Total Operating Receipts	521,172	30	521,202
<u>Operating Disbursements:</u>			
Personnel Services	72,250	-	72,250
Employee Fringe Benefits	33,233	-	33,233
Contractual Services	262,820	-	262,820
Material and Supplies	69,033	75	69,108
Capital Outlay	9,907	-	9,907
Miscellaneous	35,919	-	35,919
Total Operating Disbursements	483,162	75	483,237
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	38,010	(45)	37,965
<u>Non-Operating Receipts/(Disbursements):</u>			
Debt Service	(89,468)	-	(89,468)
Excess of Net Cash Receipts Over/(Under) Disbursements	(51,458)	(45)	(51,503)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	8,500	-	8,500
Operating Transfers-Out	(8,500)	-	(8,500)
Total Other Financing Sources (Uses)	-	-	-
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	(51,458)	(45)	(51,503)
<u>Fund Cash Balance</u> - January 1, 2003	322,728	2,713	325,441
<u>Fund Cash Balance</u> - December 31, 2003	\$ 271,270	\$ 2,668	\$ 273,938

The accompanying notes are an integral part
of these financial statements.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS

For the Year Ended December 31, 2002

	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Receipts:</u>			
Charges for Services	\$ 522,015	\$ -	\$ 522,015
Interest	174	48	222
Miscellaneous	-	-	-
Total Operating Receipts	522,189	48	522,237
<u>Operating Disbursements:</u>			
Personnel Services	68,541	-	68,541
Employee Fringe Benefits	27,443	-	27,443
Contractual Services	237,355	-	237,355
Material and Supplies	53,154	-	53,154
Capital Outlay	18,780	-	18,780
Miscellaneous	23,784	-	23,784
Total Operating Disbursements	429,057	-	429,057
Excess of Cash Operating Receipts Over/ (Under) Operating Disbursements	93,132	48	93,180
<u>Non-Operating Receipts/(Disbursements):</u>			
Debt Service	(88,294)	-	(88,294)
Excess of Net Cash Receipts Over/(Under) Disbursements before Transfers & Advances	4,838	48	4,886
<u>Other Financing Sources (Uses):</u>			
Operating Transfers-In	1,265	-	1,265
Operating Transfers-Out	(1,265)	-	(1,265)
Total Other Financing Sources (Uses)	-	-	-
Excess of Receipts and Other Sources Over/ (Under) Disbursements and Other Uses	4,838	48	4,886
<u>Fund Cash Balance - January 1, 2002</u>	317,890	2,665	320,555
<u>Fund Cash Balance - December 31, 2002</u>	\$ 322,728	\$ 2,713	\$ 325,441

The accompanying notes are an integral part
of these financial statement

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies

Description of the Entity

The Village of Mendon, Mercer County, (the Village) is a political and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides the following services: public safety, health, recreation, street maintenance, water, sewer and electric facilities, and general administrative services.

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

Basis of Accounting

The Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Consequently, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when the liability is incurred. A general fixed asset group and long-term debt group of accounts are not recorded on the financial statements by the Village under the basis of accounting used. 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.

Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or limitations. The Village uses the following major fund types:

Governmental Funds

General Fund

The General Fund accounts for all the revenues and expenditures of the Village that is not required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than capital projects and trusts), the expenditures for which are legally restricted for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds – (continued)

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

Proprietary Funds

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover cost of providing this utility.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Water Debt Service Fund - This fund receives a portion of receipts for utilities to repay the Ohio Water Development Authority Loan.

Sewer Debt Service Fund - This fund receives a portion of receipts for utilities to repay the USDA sanitary sewer system debt.

Fiduciary Funds

Trust 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 non-expendable trust fund. Other trust funds are classified as expendable.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 1 - Summary of Significant Accounting Policies - (continued)

Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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 canceled, and reappropriated in the subsequent year.

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

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.

Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 2 – Equity In Pooled Cash and Investments

The Village maintains a cash and investments 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:

	<u>2003</u>	<u>2002</u>
Petty Cash	\$ 150	\$ 150
Demand deposits	279,420	353,669
Investments:		
STAR Ohio	<u>136,582</u>	<u>135,080</u>
Total Deposits and Investments	<u>\$ 416,152</u>	<u>\$ 488,899</u>

Deposits - Deposits are insured by the Federal Depositary Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village, or collateralized by the financial institutions public entity deposit pool.

Investments - Investments in STAR Ohio are not evidenced by securities that exist in physical or book entry form.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,295	\$ 45,581	\$ (84,714)
Special Revenue	110,296	35,219	(75,077)
Enterprise	815,162	521,172	(293,990)
Fiduciary	3,588	30	(3,558)
Total	\$ 1,059,341	\$ 602,002	\$ (457,339)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 90,660	\$ 71,299	\$ 19,361
Special Revenue	61,070	30,745	30,325
Enterprise	625,326	572,630	52,696
Fiduciary	125	75	50
Total	\$ 777,181	\$ 674,749	\$ 102,432

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2003 and 2002

Note 3 – Budgetary Activity – (continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 143,127	\$ 54,825	\$ (88,302)
Special Revenue	103,890	30,214	(73,676)
Enterprise	807,691	522,189	(285,502)
Fiduciary	3,540	48	(3,492)
Total	\$ 1,058,248	\$ 607,276	\$ (450,972)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 81,648	\$ 59,539	\$ 22,109
Special Revenue	53,180	22,901	30,279
Enterprise	612,200	517,351	94,849
Fiduciary	125	-	125
Total	\$ 747,153	\$ 599,791	\$ 147,362

Note 4 – Property Tax

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 Revenues. Payments are due to the County by December 31st. If the property owner elects to make semi-annual payments, the second half payment is due the following June 20th.

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

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 4 – Property Tax - (continued)

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

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

Note 5 – Debt

Debt Outstanding at December 31, 2003, was as follows

First Mortgage Revenue Bonds -

Sanitary Sewer System

Principal Outstanding	\$	256,843
Interest Rate		6.00 %

Ohio Water Development Authority Loan

Principal Outstanding	\$	332,137
Interest Rate - Blended		4.612 %

The First Mortgage Sanitary Sewer System Revenue Bonds were issued in May of 1990 for sanitary sewer system improvements and repayments are made to the USDA annually.

The Ohio Water Development Authority Loan was obtained in 1998 to make improvements to the water system in the Village.

VILLAGE OF MENDON
MERCER COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

Note 5 - Debt Obligations - (continued)

The annual requirements to amortize all debt outstanding as of December 31, 2003, including interest are as follows:

Year Ending December 31,	First Mortgage Bonds	OWDA Loan	Total
2004	\$ 24,411	\$ 40,294	\$ 64,705
2005	23,871	40,294	64,165
2006	24,331	40,294	64,625
2007	23,731	40,294	64,025
2008	24,131	40,294	64,425
Thereafter	300,601	221,613	522,214
Total	\$ 421,076	\$ 423,083	\$ 844,159

Note 6 – Retirement Systems

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, PERS members contributed 8.5 percent of their gross salaries. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

Note 9 – Risk Management

The Village maintains comprehensive insurance coverage with private insurers for all real and personal property, including automobile coverage for the following risks: general liability, public official liability, auto liability & damage, property coverage, inland marine, crime, and equipment break-down.

The Village offers medical and life insurance coverage for full-time employees through a commercial insurer.

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E.S. Evans and Company

Certified Public Accountants and Consultants

205 West Elm Street • Lima, Ohio 45801 • Phone: (419) 223-3075

P.O. Box 298 • Lima, Ohio 45802 • Fax: (419) 222-8507 • E-mail: askus@esevans.com

Robert E. Wendel, CPA • Dan F. Clifford, CPA • E.S. Evans, CPA, PFS (1930-1999)

June 3, 2004

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

Village of Mendon
Mercer County, Ohio

and

Auditor of State of Ohio
Columbus, Ohio

We have audited the combined financial statements of the Village of Mendon, Mercer County, Ohio as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Mendon'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Village of Mendon in a separate letter dated June 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Mendon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Village of Mendon in a separate letter dated June 3, 2004.

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

A handwritten signature in red ink, appearing to read "E. H. ...", is located in the lower right quadrant of the page.



**Auditor of State
Betty Montgomery**

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 MENDON

MERCER 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
JULY 20, 2004**