



**Auditor of State
Betty Montgomery**

VILLAGE OF MIFFLIN
ASHLAND COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mifflin
Ashland County
36 Maine Street, RT 4
Ashland, Ohio 44805

To the Village Council:

We have audited the accompanying financial statements of the Village of Mifflin, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001. 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, 2002 and 2001, 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 April 7, 2003 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.

Village of Mifflin
Ashland County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the Audit Committee, management, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2003

VILLAGE OF MIFFLIN
ASHLAND COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$710		\$710
Intergovernmental Receipts	41,154	\$8,811	49,965
Fines, Licenses, and Permits	7,822		7,822
Earnings on Investments	255	92	347
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	49,941	8,903	58,844
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	18,029		18,029
Public Health Services	965		965
Leisure Time Activities	117		117
Community Environment	3,207		3,207
Transportation		6,641	6,641
General Government	19,488		19,488
Debt Service:			
Principal Payments	7,037		7,037
Interest Payments	1,317		1,317
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	50,160	6,641	56,801
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(219)	2,262	2,043
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	16,405	19,977	36,382
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$16,186</u>	<u>\$22,239</u>	<u>\$38,425</u>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$496	\$0	\$496
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,034		\$1,034
Intergovernmental Receipts	44,800	\$14,282	59,082
Fines, Licenses, and Permits	8,531		8,531
Earnings on Investments	284	132	416
Miscellaneous	1,150		1,150
	<hr/>		
Total Cash Receipts	55,799	14,414	70,213
<hr/>			
Cash Disbursements:			
Current:			
Security of Persons and Property	14,278		14,278
Public Health Services	390		390
Leisure Time Activities	582		582
Community Environment	2,586		2,586
Transportation	776	14,651	15,427
General Government	26,320		26,320
Debt Service:			
Principal Payments		7,037	7,037
Interest Payments		1,886	1,886
	<hr/>		
Total Cash Disbursements	44,932	23,574	68,506
	<hr/>		
Total Receipts Over/(Under) Disbursements	10,867	(9,160)	1,707
<hr/>			
Other Financing Receipts/(Disbursements):			
Transfers-In		630	630
Transfers-Out		(630)	(630)
	<hr/>		
Total Other Financing Receipts/(Disbursements)	0	0	0
<hr/>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,867	(9,160)	1,707
	<hr/>		
Fund Cash Balances, January 1	5,538	29,137	34,675
	<hr/>		
Fund Cash Balances, December 31	\$16,405	\$19,977	\$36,382
	<hr/>		
Reserves for Encumbrances, December 31	\$320	\$0	\$320
	<hr/>		

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

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
AGENCY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

	Agency Fund	
	2002	2001
Non-Operating Cash Receipts:		
Other Non-Operating Receipts	\$9,582	\$10,491
Non-Operating Cash Disbursements:		
Other Non-Operating Cash Disbursements	9,522	10,851
Net Cash Receipts Over/Under Cash Disbursements	60	(360)
Fund Cash Balance, January 1	20	380
Fund Cash Balance, December 31	\$80	\$20
Reserves for Encumbrances, December 31	\$0	\$0

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

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**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mifflin, Ashland 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. The Village is directed by a publicly-elected, six-member Council. The Village provides general government services, including police services and a Mayor's Court.

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 an interest bearing checking account and an interest bearing Housing and Urban Development (HUD) checking account. The Village has no investments.

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 has the following significant Special Revenue Fund:

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

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting as an agency capacity are classified as agency funds. The Village has the following Agency Fund:

Mayor's Court Fund – This fund is used for the collection and distribution of fines and court costs resulting from the operation of the Mayor's Court.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. Council must annually approve the appropriation measure 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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$38,505	\$36,402

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,499	\$49,941	(\$2,558)
Special Revenue	15,960	8,903	(7,057)
Total	\$68,459	\$58,844	(\$9,615)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,020	\$50,656	\$17,364
Special Revenue	25,150	6,641	18,509
Total	\$93,170	\$57,297	\$35,873

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,021	\$55,799	(\$6,222)
Special Revenue	5,885	15,044	9,159
Total	\$67,906	\$70,843	\$2,937

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,235	\$45,252	\$15,983
Special Revenue	25,025	23,574	1,451
Total	\$86,260	\$68,826	\$17,434

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Rev. Code Section 5705.41 (D), the Village did not certify the availability of funds for certain expenditures during 2002 and 2001.

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 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
1999 Commercial Loan	\$14,075	6.70%

Proceeds of the 1999 Commercial Loan were used to purchase a 1999 GMC Dump Truck. The loan is collateralized by the truck.

Amortization of the above debt, including interest, is scheduled as follows:

	1999 Commercial Loan
Year ending December 31:	
2003	\$7,980
2004	7,510
Total	\$15,490

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEM

The Village's police officers and certain elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2002, four members of Village Council elected Social Security. The Board's liability is 6.2% of wages paid.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Mifflin
Ashland County
36 Maine Street, RT 4
Ashland, Ohio 44805

To the Village Council:

We have audited the accompanying financial statements of the Village of Mifflin, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 7, 2003. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-30503-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 7, 2003.

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. 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 that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 7, 2003.

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Village of Mifflin
Ashland County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the Audit Committee, management and 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 7, 2003

VILLAGE OF MIFFLIN
ASHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-30503-001

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall 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 Clerk-Treasurer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the 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 (or \$3,000 effective April 7, 2003), the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

During the audit period, 35% of the expenditures tested were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Village should certify the availability of funds prior to incurring any obligation. The Village should also implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**VILLAGE OF MIFFLIN
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30503-001	Finding for Recovery against former Clerk/Treasurer	Yes	
2000-30503-002	Finding for Recovery against former Mayor	Yes	
2000-30503-003	Ohio Rev. Code Section 733.40 - Mayor did not submit an itemized statement to Village Council. Also, the Mayor did not properly distribute State costs.	Yes	
2000-30503-004	Ohio Revised Code 5705.41(D), failure to certify funds.	No	Not corrected; testing revealed 35% error rate. See Finding #2002-30503-001
2000-30503-005	Ohio Revised Code 5705.41(B), Expenditures plus outstanding encumbrances exceeded appropriations.	Yes	
2000-30503-006	Ohio Admin. Code Section 117-05-01 – Various Administrative Code violations mainly related to proper classifications/codings.	Yes	
2000-30503-007	Ohio Revised Code 2335.25, Village did not maintain a cashbook for the Mayor's Court.	Yes	
2000-30503-008	Mayor's Court docket not properly maintained	Yes	
2000-30503-009	Numerous weaknesses in maintenance of Village Mayor's Court.	No	Significant issues corrected. However, a comment will be made in the management letter to establish an Agency Fund.
2000-30503-010	Numerous weaknesses in Village's payroll disbursements.	Yes	



**Auditor of State
Betty Montgomery**

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VILAGE OF MIFFLIN

ASHLAND 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
MAY 13, 2003**