BARBERTON-NORTON MOSQUITO ABATEMENT DISTRICT
SUMMIT COUNTY

INITIAL AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
AND THE AUDIT PERIOD AUGUST 1, 2005 THROUGH DECEMBER 31, 2005

Mary Taylor, CPA
Auditor of State

BARBERTON-NORTON MOSQUITO ABATEMENT DISTRICT
SUMMIT COUNTY

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Mary Taylor, CPA
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Barberton-Norton Mosquito Abatement District
Summit County
104 Third Street NW, Suite 205
Barberton, Ohio 44203

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 17, 2008

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INDEPENDENT ACCOUNTANTS' REPORT

Barberton-Norton Mosquito Abatement District
Summit County
104 Third Street NW, Suite 205
Barberton, Ohio 44203

To the Board of Directors:

We have audited the accompanying financial statements of the Barberton-Norton Mosquito Abatement District, Summit County, Ohio (the District) as of and for the years ended December 31, 2007 and 2006 and the period August 1, 2005 through December 31, 2005. These financial statements are the responsibility of the District'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 1, the District 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 District's larger (i.e. major) funds separately. While the District 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 districts to reformat their statements. The District 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.

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, 2007 and 2006 and the period August 1, 2005 through December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial positions of the District as of December 31, 2007, 2006, and 2005, 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 fund cash balance of the Barberton-Norton Mosquito Abatement District, Summit County, as of December 31, 2007, 2006, and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008, on our consideration of the District'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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 17, 2008

BARBERTON-NORTON MOSQUITO ABATEMENT DISTRICT
SUMMIT COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006, AND FOR THE PERIOD AUGUST 1, 2005 THROUGH DECEMBER 31, 2005

	2007	2006	2005
Cash Receipts:			
Maintenance Assessments	$191,722	$166,234	$19,500
Earnings on Investments	1,010	979	113
Miscellaneous	37	33	
Total Cash Receipts	192,769	167,246	19,613
Cash Disbursements:			
Current:			
Administration Services	9,350	14,350	
Advertising	1,087	4,894	970
Automobile	480		73
Bank Service Charges	203	51	58
Bond	1,200		1,000
Dues and Subscriptions	330	235	
Insurance - Business	3,374		
Insurance - Workers Compensation	731	20	
Legal Fees			200
Office Supplies	94		
Penalty	68	62	
Postage and Delivery	37	39	
Printing and Reproduction	6,129	207	
Professional Fees	2,468	2,194	
Rent	20,000	21,302	
Repairs - Building	284	1,060	
Subcontractors	144,960	50,000	
Travel	92		
Wages and Benefits	14,921	17,141	1,360
Equipment	2,507	50,700	
Furniture and Fixtures		1,439	172
Debt Service:			
Redemption of Principal	19,349		
Interest and Other Fiscal Charges	3,887		
Document Fees	500		
Total Cash Disbursements	232,051	163,694	3,833
Total Receipts Over/(Under) Disbursements	(39,282)	3,552	15,780
Other Financing Receipts:			
Sale of Capital Assets	50,700		
Total Other Financing Receipts	50,700	0	0
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	11,418	3,552	15,780
Fund Cash Balance, January 1	19,332	15,780	
Fund Cash Balance, December 31	**$30,750**	**$19,332**	**$15,780**

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

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**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006 AND
THE PERIOD AUGUST 1, 2005 THROUGH DECEMBER 31, 2005**

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 Barberton-Norton Mosquito Abatement District, Summit County, Ohio, (the District) as a body corporate and politic. The District was established July 20, 2005, by the Common Pleas Court of Summit County following a petition to the court for the establishment of the District for the abatement and control of mosquitoes in accordance with Ohio Rev. Code Chapter 6115. The District became operational in 2005 and has not been audited before. Actual control operations began in 2006. In accordance with the statute, responsibility for policy determination for the District resides in the Board of Directors appointed by the District Advisory Council. The Executive Director, who is appointed by the Board of Directors, administers the District's operations.

The District's management believes these financial statements present all activities for which the District 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 District 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 (i.e., when an encumbrance is approved).

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

C. Fund Accounting

The District uses fund accounting to segregate cash that is restricted as to use.

General Fund

The General Fund is the general operating fund. It is used to report all financial resources.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (disbursements) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Directors must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

D. Budgetary Process (Continued)

2. Estimated Resources

The District did not formally estimate resources.

3. Encumbrances

The District did not use the encumbrance method of accounting.

A summary of 2007, 2006, and 2005 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

The District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Cash

The carrying amount of cash at December 31 was as follows:

	2007	2006	2005
Demand deposits	$30,750	$19,332	$15,780

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007, 2006, and 2005 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$0	$243,469	$243,469

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$183,614	$232,051	($48,437)

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$0	$167,246	$167,246

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$198,000	$163,694	$34,306

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$0	$19,613	$19,613

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$19,500	$3,833	$15,667

Contrary to Ohio law:

- Budgetary expenditures exceeded appropriation authority in the General Fund by $48,437 for the year ended December 31, 2007;

- At December 31, 2007, 2006, and 2005, total appropriations exceeded total estimated revenues available for expenditure in the General Fund by $183,614, $198,000, and $19,500, respectively; and

- None of the District's expenditures were certified by the Treasurer prior to incurring the obligation for the years ended December 31, 2007, 2006, and 2005.

4. Maintenance Assessments

Special assessments become a lien on January 1 preceding the October 1 date for which the District adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. 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.

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Capital Lease	$114,741	5.65%

The District purchased equipment at a cost of $50,700 in December 2006. The District sold the equipment for the same amount to a bank in May 2007.

The District then entered into a five year capital lease of four new trucks and sprayer units for District mosquito control in May 2007 for $134,091. The lease requires quarterly payments of $7,746 with final maturity due February 4, 2012. Upon expiration of the lease, title to the trucks and equipment is transferred to the District.

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

Year ending December 31:	Capital Lease
2008	$30,983
2009	30,983
2010	30,983
2011	30,983
2012	7,746
Total	$131,678

6. Retirement Systems

The District's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007, 2006, and 2005, OPERS members contributed 9.5, 9, and 8.5%, respectively, of their gross salaries and the District contributed an amount equaling 13.85, 13.7, and 13.55%, respectively, of participants' gross salaries. The District has paid all contributions required through December 31, 2007.

7. Risk Management

The District is exposed to various risks of property and casualty losses, and injuries to employees.

The District insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The District has obtained commercial insurance for vehicle coverage.

7. Risk Management (Continued)

The District belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage
For an occurrence prior to January 1, 2006 PEP retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence, including loss adjustment expenses. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage
Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding $100,000 up to $250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

7. Risk Management (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	2007	2006
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	$20,219,246	$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately $1,000. This payable includes the subsequent year's contribution due if the District terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2005	$0
2006	$504
2007	$504

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Noncompliance

Contrary to Ohio Admin. Code section 117-2-02(A), the District did not maintain a required governmental accounting system and accounting records.

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

Barberton-Norton Mosquito Abatement District
Summit County
104 Third Street NW, Suite 205
Barberton, Ohio 44203

To the Board of Directors:

We have audited the financial statements of the Barberton-Norton Mosquito Abatement District, Summit County, Ohio, (the District) as of and for the years ended December 31, 2007 and 2006 and the period August 1, 2005 through December 31, 2005, and have issued our report thereon dated October 17, 2008, wherein we noted the District followed accounting practices the Auditor of State prescribes or permits 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: findings number 2007-002 through 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-002 through 2007-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated October 17, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 as items 2007-001, 2007-003 and 2007-006 through 2007-010.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 17, 2008.

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

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 17, 2008

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006 AND THE PERIOD
AUGUST 1, 2005 THROUGH DECEMBER 31, 2005

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

FINDING NUMBER 2007- 001

Finding for Recovery Repaid Under Audit

The District contracted with Joseph R. Harrison Company, LPA for the Executive Director/Attorney and Temporary Treasurer services for a total of $850 per month commencing February 1, 2006 and continuing each month thereafter during the term of the agreement.

The District paid $11,050 to Joseph R. Harrison Company, LPA for Executive Director/Attorney and Treasurer services rendered for the twelve month period commencing on February 1, 2006 and ending January 31, 2007 but paid during the period May 8, 2006 through May 10, 2007. However, $850 per month for twelve months equals $10,200; as a result, Joseph R. Harrison Company, LPA was overpaid by $850. During this period Joseph Harrison served as the Treasurer and authorized signatory for the Barberton-Norton Mosquito Abatement District.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joseph R. Harrison Company, LPA, the Barberton-Norton Mosquito Abatement District's Treasurer, in the amount of $850, and in favor of the Barberton-Norton Mosquito Abatement District.

Mr. Harrison repaid $850 on October 14, 2008.

Officials' Response: The external accountant for the District telephoned the Executive Director and told him the Financial Statements for the Mosquito Abatement District (MAD) were off by $850 and it was because a payment to the Executive Director was missed. The accountant said to issue a check to the Executive Director to make the Financial Statements balance. The check was issued as directed. During the State Audit process, it was discovered the accounting error was not due to a missed payment to the Executive Director and the $850 was an overpayment that needed to be returned. The Executive Director promptly repaid the $850.

FINDING NUMBER 2007- 002

Material Weakness

Accounting Records

The District was formed as a governmental entity in accordance with Ohio Rev. Code Chapter 6115. As a governmental entity, the District's financial statements should conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements should be presented in accordance with standards accepted by the Governmental Accounting Standards Board (GASB) or the cash basis format the Auditor of State permits. In addition, the District's proposal seeking accounting services indicated, "it is a unit of local government and must comply with governmental accounting procedures and "fund accounting" procedures." In addition, the contract with the Accountant awarded the accounting services indicated they would set up books and procedures for governmental (fund) accounting.

FINDING NUMBER 2007- 002 (Continued)

Our testing revealed numerous weaknesses with the District's accounting and financial reporting procedures. These weaknesses included, but were not limited to the following:

- The financial records were maintained on an accrual income tax basis of accounting following Financial Accounting Standards Board (FASB) standards instead of GASB standards. As a result, the year-end financial statements were revised at least three times before the ending cash balances agreed to the District's year end bank reconciliations. These revisions resulted in the 2007, 2006, and 2005 year-end cash balances decreasing by $83,298, $51,595, and $1,172, respectively. The first revision was not received to be audited until September 8, 2008. Earlier versions included unsupported adjustments to balance cash.

- The District's outside Accountant made over 90 adjustments and reclassification entries to the general ledger during each year in 2007 and 2006 which made it difficult to track actual individual financial transactions. Most errors were payroll related; however, some ranged in amounts up to $90,000 for service contracts.

- Three of four (75.0%) outstanding checks tested at December 31, 2005 were improperly excluded from the outstanding check listing; as a result, the December 31, 2005 cash balance was overstated by $550, while 2005 wages disbursements were understated by the same amount.

- Four of six (66.7%) 2005 non-payroll related disbursements tested were combined and reported in total in the General Ledger; as such, their individual check amounts, numbers, and vendors could not be traced to the General Ledger. In addition, the vendor for one of fifteen (6.67%) 2007 non-payroll related disbursements tested was improperly omitted in the General Ledger. Finally, the actual check dates for 28 of 30 (93.3%) non-payroll related disbursements tested were incorrectly reported in the corresponding General Ledgers.

- The reported 2006 wages disbursements improperly included the 2005 balance, resulting in the overstatement of 2006 wages by $1,360 and the understatement of the year-end 2006 cash balance by the same amount.

- Six audit adjustments were posted to the 2007, 2006, and 2005 financial statements in the amount of $83,391; $3,273; and $550 respectively. These adjustments were made to properly record a capital lease, to correct wage postings, and to correct unsupported adjustments made by the outside accountant to balance cash. In addition, a reclassification of $23,236 was made in 2007 and a reclassification of $970 was made in 2005. These reclassifications were made to properly record principal and interest payments on a capital lease and to reclassify advertising expenses from dues and subscriptions. The District's outside accountant revised the financial statements three times before presenting a final set of financial statements for audit. Despite the revisions, material audit adjustments and reclassifications were required.

These weaknesses could lead to inefficient operation of the District's finance functions and financial statement errors. In addition, these weaknesses may compromise management's ability to effectively monitor the finances and make appropriate decisions for the District. The District's management should ensure its financial records are maintained on the required governmental basis of accounting to help eliminate financial reporting inconsistencies, review the monthly bank reconciliations regularly to ensure all reconciling items have been accounted for, and review the General Ledgers regularly to ensure the check numbers, dates, vendors and amounts have been recorded accurately and timely, in the correct accounting period, and posted to appropriate line-items.

FINDING NUMBER 2007- 002 (Continued)

Officials' Response: The outside accountant hired by the MAD was not experienced in government accounting. Early in the formation of the District, the Treasurer resigned and the MAD was unable to find a person experienced in government accounting to replace the Treasurer.

The MAD Board has, finally, hired a competent person experienced in government accounting to be the Treasurer for the District. The new Treasurer intends to use the Uniform Accounting Network (UAN) to prepare the MAD's Financial Statements. The new Treasurer and accounting system should prevent these problems in the future.

FINDING NUMBER 2007- 003

Material Weakness/Noncompliance Citation

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per **Ohio Admin. Code Section 117-2-02(D)**, accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The District's outside Accountant did not maintain a cash journal, receipts ledger, or appropriation ledger which agreed to the District's annual financial statements. As a result, the District's annual financial statements could not be reconciled to detail ledgers which could allow for material misstatement of the financial statements. Additional audit procedures and costs were incurred by the District to ensure the financial statements were fairly stated. Refer to Finding Number 2007-002 for weaknesses noted in the District's accounting records.

Using the aforementioned accounting records may help provide the District with information required to monitor compliance with the budget, and will assist the District in preparing annual reports in the format required by the Auditor of State.

Officials' Response: The new Treasurer and UAN accounting system will establish and maintain the required ledgers.

FINDING NUMBER 2007-004

Material Weakness

Review and Monitoring of Bank Reconciliations and Financial Reports

The Executive Director provided the Board of Directors with the money market and checking account balances at most meetings and the District's outside Accountant provided the Executive Director with monthly Financial Statement packages that included the following:

FINDING NUMBER 2007-004 (Continued)

- Income Statement;
- Balance Sheet;
- General Ledger;
- Bank Reconciliations;
- Journal Entry Record;
- Payroll Check Register; and
- Trial Balance.

However, the Board of Directors did not receive or review any monthly bank reconciliations and financial reports. In addition, the outside Accountant's Financial Statement packages were not provided to the Executive Director in a timely fashion. As a result, the District's financial statements contained material errors and omissions as noted in Finding Number 2007-002 above.

This condition prevents the Board of Directors from monitoring the Treasurer and the District's finances.

A proactive Board of Directors is an important part of an effective system of internal controls. As an integral part of the internal control structure, the Board of Directors should request monthly financial reports and formally recognize in the minutes the acceptance of monthly reports they receive from the Treasurer. In addition to the items listed above, these reports should include budget vs. actual, encumbrance, and appropriation information. These reports should reflect all activity of the District and should be up-to-date. This will increase the Board of Director's awareness of all finance related activity, facilitate their decision making process, and provide evidence monitoring activities are being performed. During this review, they should determine the bank reconciliation is performed in a timely manner and question any reconciling items that are not understood or that appear unusual. In addition, they should ensure all expenditures and receipts appear appropriate for the District.

By closely reviewing these documents, the Board of Directors may be able to detect errors timely, thereby increasing the effectiveness of the internal control structure.

Officials' Response: The new Treasurer will produce monthly reports from the UAN accounting system for the Board of Directors to review. The reports will include the budget v. actual, encumbrance and appropriation information.

FINDING NUMBER 2007-005

Significant Deficiency

Cash Transfer

On December 21, 2005 the Executive Director withdrew $7,000 from the District's money market saving account for the purpose of transferring the funds into the District's checking account. However, the corresponding checking account deposit was not processed until January 9, 2006, 19 days after the initial withdrawal. Delays of this nature could cause District funds to be lost or misplaced without being detected in a timely manner and could allow for material misstatement of the financial statements.

The District should properly safeguard cash-on-hand and implement procedures limiting elapsed time between fund-transfer withdraws and deposits. Additionally, the District should contact their financial institution to inquire about performing such transactions electronically to further reduce the risk of funds being lost or misplaced.

Officials' Response: Beginning in 2006, all transfers have been made electronically. This error should not happen again.

FINDING NUMBER 2007-006

Noncompliance Citation

Ohio Rev. Code Section 5705.28(B)(2)(c) indicates the total appropriations from each fund of a taxing unit that does not levy a tax shall not exceed the total estimated revenue available for expenditures from the fund, and appropriations shall be made from each fund only for the purposes for which the fund is established.

During 2007, 2006, and 2005 the District appropriated $183,614, $198,000, and $19,500, in the General Fund, respectively. However, the District failed to estimate any revenues for those years. The Board of Directors should prepare and adopt revenue estimates annually. These estimates should be updated upon determination an additional/lesser amount of revenue will be collected. Additionally, the Board should monitor the maintenance budget versus estimated resources to help avoid overspending.

Officials' Response: See comments in Finding #2007-002.

FINDING NUMBER 2007-007

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2007, fund level expenditures plus outstanding encumbrances exceeded appropriations by $48,437.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to help avoid overspending.

Officials' Response: This error was related to the purchase and resale of certain spraying equipment. The revenue received was not properly recorded. It was an oversight. These errors should be prevented in the future with the new Treasurer.

FINDING NUMBER 2007-008

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2007-008 (Continued)

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Directors can authorize the drawing of a warrant for the payment of the amount due. The Board of Directors has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

   Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board of Directors.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate** – The Board of Directors may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During the audit period, the District did not use the encumbrance method of accounting. As such, none of the District's expenditures were certified by the Treasurer prior to incurring the obligation, and none of the exceptions mentioned above were utilized for the items found to be in noncompliance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend the Treasurer certify the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The new Treasurer will establish a Purchase Order system using the UAN software. This should resolve this problem.

FINDING NUMBER 2007-009

Noncompliance Citation

26 C.F.R. Section 1.6041-2 provides that wages, as defined in section 3401, paid to an employee, are to be reported on Form W-2. This section also provides that all other payments of compensation to an employee, including fringe benefits described in the preceding paragraph, are to be reported on Form W-2, if the aggregate compensation, that is, wages and other compensation, exceed $600.

The Executive Director/Attorney/temporary Treasurer was compensated $8,500 in 2007 and $9,350 in 2006 and did not receive a W-2 Form or Form 1099 for either year.

The District should consult with the Internal Revenue Service to determine if the Executive Director/Attorney/temporary Treasurer should be considered an employee of the District and should be subject to federal, state, and local income tax withholdings as well as medicare tax .

This matter will be referred to the Internal Revenue Service.

Officials' Response: The Board of Directors has resolved this issue by making the Executive Director an employee in June, 2008. A W-9 was completed and is now on file with the MAD. The new Treasurer will contact all the vendors of the MAD and get a W-9 from them as well. The new Treasurer will ensure that proper W-2's and 1099's are issued.

FINDING NUMBER 2007-010

Noncompliance Citation

Ohio Rev. Code Section 6115.14 indicates "the executive director shall perform such duties as may be prescribed by the board of directors, including the execution on behalf of the board of such contracts and agreements as may be authorized by resolution of the board, and may be the secretary of the board if the board appoints a treasurer who is not the secretary of the board." Therefore, the executive director should not be performing the duties of the treasurer.

Additionally, **Ohio Rev. Code Section 2921.42(A)(4)** states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which the public official is connected.

The District has contracted with Joseph R. Harrison Company, LPA to perform the duties of Executive Director/Attorney and temporary Treasurer. This results in the lack of segregation of duties by having one individual performing the duties of three different positions. In addition, there is a potential conflict of interest and possible ethics considerations.

The District should consider employing three different individuals to perform these duties. At a minimum, the District should consult with an outside independent legal counsel and the Ohio Ethics Commission and request written opinions as to whether this arrangement creates any conflict of interest or ethics issues.

This matter will be referred to the Ohio Ethics Commission.

FINDING NUMBER 2007-010 (Continued)

Officials Response: The MAD has hired a new Treasurer. It has, also, hired and used independent legal counsel in 2008. However, the District is a small entity with limited funds. Through the initial, start-up years, it became necessary for the Executive Director to assume the duties of resigned (Treasurer) and to manage the activities necessary to accomplish the mission of the District – to reduce mosquito populations. As stated in our comments to Finding #2007-002, the District has hired an independent Treasurer experienced in government accounting.

The District is fortunate to have an Executive Director who is an experienced public administrator, an experienced manager of a public mosquito control program and is, also, an attorney. Having such a highly qualified person to handle unexpected, start-up issues saved money for the District and for those who, ultimately, have to pay the assessment. When issues arose, the Executive Director was the most competent person to handle the problem without spending extra money on outside assistance. As the District grows, funds will become available to separate duties in different staff positions.

The State Audit Report did not detect any unethical conduct even though various duties were co-mingled and performed by the Executive Director.

BARBERTON-NORTON MOSQUITO ABATEMENT DISTRICT

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 13, 2008