

**VILLAGE OF MOGADORE**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND DECEMBER 31, 2006

Varney, Fink & Associates, Inc.  
Certified Public Accountants





Mary Taylor, CPA  
Auditor of State

Members of Village Council  
Village of Mogadore  
135 South Cleveland Avenue  
Mogadore, Ohio 44260

We have reviewed the *Independent Auditor's Report* of the Village of Mogadore, Summit County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 5, 2009

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**VILLAGE OF MOGADORE, OHIO  
STARK COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

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**CERTIFIED PUBLIC ACCOUNTANTS**  
**121 College Street**  
**Wadsworth, Ohio 44281**  
**330.336.1706 Fax 330.334.5118**

**INDEPENDENT AUDITOR'S REPORT**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mogadore, Summit County, (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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 Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

**INDEPENDENT AUDITOR'S REPORT (continued)**

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village 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 November 14, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not express an opinion on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

November 14, 2008



**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2007**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$202,186	\$32,486	\$0	\$0	\$234,672
Municipal Income Taxes	0	2,031,981	0	0	2,031,981
Intergovernmental	291,680	211,961	0	0	503,641
Charges for Services	0	104,903	0	0	104,903
Fines, Licenses and Permits	86,519	7,245	0	0	93,764
Earnings on Investments	41,358	1,940	0	0	43,298
Miscellaneous	100,401	38,394	0	0	138,795
<b>Total Cash Receipts</b>	<b>722,144</b>	<b>2,428,910</b>	<b>0</b>	<b>0</b>	<b>3,151,054</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	1,004,757	156,805	0	0	1,161,562
Public Health Services	27,972	30,822	0	0	58,794
Leisure Time Activities	0	140,491	0	0	140,491
Community Environment	2,794	0	0	0	2,794
Transportation	0	451,718	0	0	451,718
General Government	559,988	63,100	0	0	623,088
Debt Service:					
Redemption of Principal	0	0	865,000	0	865,000
Interest and Other Fiscal Charges	0	0	34,577	0	34,577
Capital Outlay	49,027	23,394	0	272,314	344,735
<b>Total Cash Disbursements</b>	<b>1,644,538</b>	<b>866,330</b>	<b>899,577</b>	<b>272,314</b>	<b>3,682,759</b>
<b>Total Cash Receipts Over/(Under)</b>					
Cash Disbursements	(922,394)	1,562,580	(899,577)	(272,314)	(531,705)
<b>Other Financing Sources/(Uses)</b>					
Proceeds of Notes	0	0	770,000	0	770,000
Transfers In	883,950	433,464	98,000	608,013	2,023,427
Transfers Out	0	(2,023,427)	0	0	(2,023,427)
<b>Total Other Financing Sources/(Uses)</b>	<b>883,950</b>	<b>(1,589,963)</b>	<b>868,000</b>	<b>608,013</b>	<b>770,000</b>
<b>Excess of Cash Receipts and Other Financing Sources</b>					
Over/(Under) Cash Disbursements and Other Financing Uses	(38,444)	(27,383)	(31,577)	335,699	238,295
<b>Fund Cash Balances /(Deficits), January 1, 2007</b>	<b>62,239</b>	<b>146,259</b>	<b>245</b>	<b>302,093</b>	<b>510,836</b>
<b>Fund Cash Balances December 31, 2007</b>	<b>\$23,795</b>	<b>\$118,876</b>	<b>(\$31,332)</b>	<b>\$637,792</b>	<b>\$749,131</b>
<b>Reserve For Encumbrances</b>	<b>\$23,017</b>	<b>\$2,663</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,680</b>

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

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in**  
**Fund Cash Balance - Fiduciary Fund Type**  
**For the Year Ended December 31, 2007**

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	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	<u>\$102,172</u>
Operating Cash Disbursements	<u>4,000</u>
Operating Income	<u>98,172</u>
Non-Operating Cash Receipts	<u>3,100</u>
Non-Operating Cash Disbursements	<u>101,079</u>
Excess of Receipts Over Disbursements	193
Fund Cash Balances, January 1, 2007	<u>24,488</u>
Fund Cash Balances, December 31, 2007	<u><u>\$24,681</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

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

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in Fund Cash**  
**Balances - All Governmental and Similar Fiduciary Fund Types**  
**For the Year Ended December 31, 2006**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts</b>					
Property Tax and Other Local Taxes	\$205,592	\$32,865	\$0	\$0	\$238,457
Municipal Income Taxes	0	2,062,689	0	0	2,062,689
Intergovernmental	254,135	225,525	0	72,814	552,474
Charges for Services	0	106,285	0	0	106,285
Fines, Licenses and Permits	64,306	6,298	0	0	70,604
Earnings on Investments	30,261	905	0	0	31,166
Miscellaneous	56,109	42,408	0	0	98,517
<b>Total Cash Receipts</b>	<b>610,403</b>	<b>2,476,975</b>	<b>0</b>	<b>72,814</b>	<b>3,160,192</b>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	959,288	128,550	0	0	1,087,838
Public Health Services	30,890	25,131	0	0	56,021
Leisure Time Activities	0	140,309	0	0	140,309
Community Environment	2,058	0	0	0	2,058
Transportation	0	416,860	0	0	416,860
General Government	488,186	61,547	0	0	549,733
Debt Service:					
Redemption of Principal	0	0	870,000	335,000	1,205,000
Interest and Other Fiscal Charges	0	0	25,176	12,292	37,468
Capital Outlay	260,732	0	0	203,319	464,051
<b>Total Cash Disbursements</b>	<b>1,741,154</b>	<b>772,397</b>	<b>895,176</b>	<b>550,611</b>	<b>3,959,338</b>
<b>Total Cash Receipts Over/(Under)</b>					
Cash Disbursements	(1,130,751)	1,704,578	#####	(477,797)	(799,146)
<b>Other Financing Sources/(Uses)</b>					
Proceeds of Notes	60,000	0	805,000	0	865,000
Transfers In	1,015,940	378,320	90,421	505,483	1,990,164
Transfers Out	0	(1,990,164)	0	0	(1,990,164)
<b>Total Other Financing Sources/(Uses)</b>	<b>1,075,940</b>	<b>(1,611,844)</b>	<b>895,421</b>	<b>505,483</b>	<b>865,000</b>
<b>Excess of Cash Receipts and Other Financing Sources</b>					
<b>Over/(Under) Cash Disbursements and Other</b>					
<b>Financing Uses</b>	<b>(54,811)</b>	<b>92,734</b>	<b>245</b>	<b>27,686</b>	<b>65,854</b>
<b>Fund Cash Balances/(Deficits), January 1, 2006, Restated</b>	<b>117,050</b>	<b>53,525</b>	<b>0</b>	<b>274,407</b>	<b>444,982</b>
<b>Fund Cash Balances/(Deficits), December 31, 2006</b>	<b>\$62,239</b>	<b>\$146,259</b>	<b>\$245</b>	<b>\$302,093</b>	<b>\$510,836</b>
<b>Reserve For Encumbrances</b>	<b>\$6,414</b>	<b>\$157</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,571</b>

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

**Village of Mogadore, Ohio**  
**Summit County**  
**Combined Statement of Cash Receipts, Cash Disbursements and Change in**  
**Fund Cash Balances - Fiduciary Fund Type**  
**For the Year Ended December 31, 2006**

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	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Operating Cash Receipts	<u>\$78,353</u>
Operating Cash Disbursements	<u>3,000</u>
Operating Income	<u>75,353</u>
Non-Operating Cash Receipts	<u>6,000</u>
Non-Operating Cash Disbursements	<u>78,344</u>
Excess of Receipts Over Disbursements	3,009
Fund Cash Balances, January 1, 2006	<u>21,479</u>
Fund Cash Balances, December 31, 2006	<u><u>\$24,488</u></u>
Reserve For Encumbrances	<u><u>\$0</u></u>

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

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Village of Mogadore, Summit County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It is located within both Summit and Portage counties. The Village is directed by a publicly-elected, seven-member Council. The Village provides general governmental services, including park operations (leisure time activities), police, fire and emergency medical services to the residents of the Village.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie, when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

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

**General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

## VILLAGE OF MOGADORE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

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

Income Tax Fund – This fund is used to account for the costs of collecting the self assessed taxes and the cost of administering and enforcing the income tax in accordance with the Village ordinance.

**Debt Service Fund** – This fund is used to accumulate resources for the payment of note indebtedness. The Village's only Debt Service Fund is the General Obligation Fund which is used to accumulate resources for the payment of principal and interest on various notes of the Village.

**Capital Projects Fund** – This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant Capital Project Fund:

Water/Sewer Construction Fund – This fund receives proceeds from the Ohio Public Works Commission.

**Fiduciary Fund (Trust and Agency Funds)** – These funds include investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Village's own programs. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village does not have trust funds. The Village has the following significant Agency Fund:

Mayor's Court Fund – This fund receives and distributes fines collected by the Mayor's Court.

#### E. Budgetary Process

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

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

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**Encumbrances** - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2007	2006
Demand deposits	(\$136,188)	(\$49,676)
Repurchase agreement	910,000	585,000
Total Deposits and Investments	<u>\$773,812</u>	<u>\$535,324</u>

**Deposits** – Deposits are insured by the Federal Depository Insurance Corporation.

**Investments** - The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are in the Village's name.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2007 and December 31, 2006 was as follows:

2007 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,633,850	\$1,606,094	(\$27,756)
Special Revenue	4,704,031	2,862,374	(1,841,657)
Debt Service	922,206	868,000	(54,206)
Capital Projects	722,545	608,013	(114,532)
Total	<u>\$7,982,632</u>	<u>\$5,944,481</u>	<u>(\$2,038,151)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$1,696,080	\$1,644,538	\$23,017	\$28,525
Special Revenue	3,122,067	2,889,757	2,663	229,647
Debt Service	922,206	899,577	0	22,629
Capital Projects	504,000	272,314	0	231,686
Total	<u>\$6,244,353</u>	<u>\$5,706,186</u>	<u>\$25,680</u>	<u>\$512,487</u>

2006 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,671,725	\$1,686,343	\$14,618
Special Revenue	2,995,560	2,855,295	(140,265)
Debt Service	895,330	895,421	91
Capital Projects	675,273	578,297	(96,976)
Total	<u>\$6,237,888</u>	<u>\$6,015,356</u>	<u>(\$222,532)</u>



VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

3. **BUDGETARY ACTIVITY** (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Encumbrances	Variance
General	\$1,788,760	\$1,741,154	\$6,414	\$41,192
Special Revenue	3,034,810	2,762,561	157	272,092
Debt Service	895,330	895,176	0	154
Capital Projects	553,150	550,611	0	2,539
Total	<u>\$6,272,050</u>	<u>\$5,949,502</u>	<u>\$6,571</u>	<u>\$315,977</u>

4. **NONCOMPLAINE**

Contrary to Ohio Rev. Code Section 5705.10, the Village had negative cash balances in the CDBG Fund and Debt Service Fund at December 31, 2007.

Contrary to Ohio Rev. Code Section 5705.36, the Village should have obtained an amended certificate for the CDBG Fund and Debt Service Fund at December 31, 2007.

5. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

Tangible personal property tax is assessed to 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.

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

6. **INCOME TAX**

The Village levies and collects an income tax of 2% on all income earned within the Village as well as on income of residents earned outside the Village. The Village allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. The Village has contracted with the Regional Income Tax Authority (RITA) for collection of income taxes. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax to the Village at least quarterly and to file a return annually. The Village received \$2,031,981 and \$2,062,689 of income taxes in 2007 and 2006, respectively.

7. **DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Various Purpose Note, 2007-1	\$750,000	3.95%
Various Purpose Note, 2007-2	20,000	4.88%
Total	<u>\$770,000</u>	

8. **RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 9.5% of their wages for 2007 and 9.0% of their wages for 2006. The Village contributed an amount equal to 13.85% for 2007 and 13.70% for 2006 of participants' gross salaries.

9. **RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF MOGADORE

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006

9. **RISK MANAGEMENT** (continued)

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

10. **FUND RECLASSIFICATIONS**

The Village has reviewed its fund previously classified an Expendable Trust Fund and reclassified it as a Special Revenue Fund. Fund cash balances at January 1, 2006 have been adjusted as follows:

	<u>Special Revenue</u>	<u>Expendable Trust Funds</u>
Fund Cash Balance as Previously Reported at December 31, 2005	\$52,171	\$1,354
Reclassification of Fund	<u>1,354</u>	<u>(1,354)</u>
Fund Cash Balance Restated January 1, 2006	<u>\$53,525</u>	<u>\$0</u>

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

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

To the Village Council:

We have audited the financial statements of Village of Mogadore, Summit County (the Village) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated November 14, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 Village'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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2007-01 to be a significant deficiencies in internal control over financial reporting.

**Village of Mogadore  
Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements performed in  
Accordance with *Government Auditing Standards*  
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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 grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany Schedule of Findings and Responses as items 2007-02 through 2007-03.

We noted certain matters that we reported to management of the Village, in a separate letter dated November 14, 2008.

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

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

November 14, 2008

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

Finding 2007-01            Significant Deficiency

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

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

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

Homestead and rollback receipts were recorded as property and other local taxes rather than intergovernmental revenue in the General Fund. Amounts were \$15,430 in 2007 and \$15,035 in 2006.

Engineering fees classified as principal and interest expenditures have need reclassified as capital outlay in the Capital Project Fund during 2006. The amount was \$66,334.

The Village Fiscal Officer should review the Ohio Village Officer's Handbook and Auditor of State Bulletins for guidance in recording financial activity.

Officials Response:

Homestead and Rollback receipts are listed as separate line items on the detail reports that Council receives thus avoiding any confusion for them. Careful attention will be paid on preparing future Annual Reports to insure that receipts are posted correctly.

The engineer fees were reported correctly in the detail portion of the Annual Report. On page 6 of the Annual Report, Capital Project Funds, there were not a lot of options as to where to post the fees. In the future engineering fees will be posted under capital outlay.

Finding 2007-02            Noncompliance

Section 5705.10, Revised Code, states, in part, money that is paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Negative fund balances occurred at December 31, 2007 as follows:

VILLAGE OF MOGADORE  
SUMMIT COUNTY  
SCHEDULE OF AUDIT FINDINGS AND RESPONSES  
YEARS ENDING DECEMBER 31, 2007 AND DECEMBER 31, 2006

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

CDBG Fund	\$33,125
Debt Service Fund	\$33,332

Negative cash fund balances are an indication that revenues from other sources were used to pay obligations of those funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Officials Response:

The expenses for these funds were to be paid with CDBG grant monies. The County cut a check on December 17, 2007 but did not present the check to the Village until January 24, 2008 at an audit meeting schedule by the Summit county Department of Economic Development. Documents of this transaction were provided with the Certificate of the Total Amount From All Sources Available for Expenditures.

Steps will be taken to help prevent negative fund balances such as cutting off spending prior to the end of the year. The Certificate of Estimated Resources will be amended to reflect actual receipts.

Finding 2007-03            Noncompliance

Section 5705.36, Revised Code, allows subdivisions to request amended certificates of estimated resources and reduce amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificates of estimated resources. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The fiscal officer should have amended the estimated resources for the CDBG Fund and for the Debt Service Fund in 2007 due to expenditures and appropriations exceeding actual resources available.

Officials Response:

The solution to the deficiency between the estimated and actual revenues and/or appropriations would be to monitor the funds closely and adjust the Certificate of Estimated Resources. I will increase my efforts to follow through on this finding.

**VILLAGE OF MOGADORE  
SUMMIT COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007  
AND DECEMBER 31, 2006**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2005-001	ORC Section 5705.41(D) Certification of fiscal officer	Yes	Corrected
2005-002	ORC Section 5705.10 Negative cash balances	No	Not Corrected
2005-003	ORC Section 5705.36 Amended Certificate of estimated resources	No	Not Corrected





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MOGADORE**

**SUMMIT COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 19, 2009**