



**Auditor of State  
Betty Montgomery**



VILLAGE OF MINERVA  
STARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Minerva  
Stark County  
209 North Market Street  
Minerva, Ohio 44657

To the Village Council:

We have audited the accompanying financial statements of the Village of Minerva, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. 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 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 audit provides 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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2004 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 audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 30, 2004

**VILLAGE OF MINERVA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$149,585	\$148,889		\$298,474
Municipal Income Taxes		1,124,529		1,124,529
Intergovernmental Receipts	217,199	168,764	\$12,000	397,963
Charges for Services	100,644	20,555		121,199
Fines, Licenses, and Permits	38,211	3,675		41,886
Earnings on Investments	81,360	5,297		86,657
Miscellaneous	32,628	2,098	338	35,064
<b>Total Cash Receipts</b>	<u>619,627</u>	<u>1,473,807</u>	<u>12,338</u>	<u>2,105,772</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	964,158	1,603		965,761
Public Health Services	16,966	143,125		160,091
Leisure Time Activities		58,092		58,092
Community Environment	3,586			3,586
Basic Utility Services	6,889			6,889
Transportation		349,605		349,605
General Government	221,185	54,981		276,166
Capital Outlay		37,636	38,574	76,210
<b>Total Cash Disbursements</b>	<u>1,212,784</u>	<u>645,042</u>	<u>38,574</u>	<u>1,896,400</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(593,157)</u>	<u>828,765</u>	<u>(26,236)</u>	<u>209,372</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	814,031	277,744	7,989	1,099,764
Advances-In	12,423			12,423
Transfers-Out	(40,550)	(1,085,377)		(1,125,927)
Advances-Out		(423)	(12,000)	(12,423)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>785,904</u>	<u>(808,056)</u>	<u>(4,011)</u>	<u>(26,163)</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>192,747</u>	<u>20,709</u>	<u>(30,247)</u>	<u>183,209</u>
<b>Fund Cash Balances, January 1</b>	<u>1,533,738</u>	<u>726,243</u>	<u>1,534,304</u>	<u>3,794,285</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,726,485</b></u>	<u><b>\$746,952</b></u>	<u><b>\$1,504,057</b></u>	<u><b>\$3,977,494</b></u>
<b>Reserves for Encumbrances, December 31</b>	<u><b>\$39,658</b></u>	<u><b>\$14,500</b></u>	<u><b>\$35,813</b></u>	<u><b>\$89,971</b></u>

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

**VILLAGE OF MINERVA  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$691,192	\$256,100		\$947,292
Fines, License and Permits	1,611		\$47,262	\$48,873
Miscellaneous	7,189	952		8,141
Total Operating Cash Receipts	<u>699,992</u>	<u>257,052</u>	<u>47,262</u>	<u>1,004,306</u>
<b>Operating Cash Disbursements:</b>				
Personal Services	409,052			409,052
Contractual Services	149,949			149,949
Fringe Benefits		305,820		305,820
Supplies and Materials	94,430			94,430
Mayor's Court Distribution			47,262	47,262
Capital Outlay	118,661			118,661
Total Operating Cash Disbursements	<u>772,092</u>	<u>305,820</u>	<u>47,262</u>	<u>1,125,174</u>
Operating (Loss)	<u>(72,100)</u>	<u>(48,768)</u>	<u>0</u>	<u>(120,868)</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	<u>69,806</u>			<u>69,806</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(141,906)	(48,768)		(190,674)
Transfers-In	<u>22,290</u>	<u>3,873</u>		<u>26,163</u>
Net Receipts (Under) Disbursements	(119,616)	(44,895)	0	(164,511)
Fund Cash Balances, January 1	<u>615,892</u>	<u>364,604</u>		<u>980,496</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$496,276</u></b>	<b><u>\$319,709</u></b>	<b><u>\$0</u></b>	<b><u>\$815,985</u></b>
Reserves for Encumbrances, December 31	<u>\$39,945</u>	<u>\$22,214</u>	<u>\$0</u>	<u>\$62,159</u>

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



**VILLAGE OF MINERVA  
STARK 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>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$153,364	\$153,754		\$307,118
Municipal Income Taxes		1,722,191		1,722,191
Intergovernmental Receipts	366,016	157,730	\$181,183	704,929
Charges for Services	48,411	26,445		74,856
Fines, Licenses, and Permits	48,106	6,644		54,750
Earnings on Investments	106,189	7,832		114,021
Miscellaneous	22,447	3,684	2,210	28,341
	<u>744,533</u>	<u>2,078,280</u>	<u>183,393</u>	<u>3,006,206</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	839,402	6,299		845,701
Public Health Services	16,340	141,412		157,752
Leisure Time Activities		57,173		57,173
Community Environment	3,029			3,029
Basic Utility Services	11,710			11,710
Transportation		316,439		316,439
General Government	265,374	54,004		319,378
Debt Service:				
Principal Payments			70,893	70,893
Interest Payments			1,594	1,594
Capital Outlay		78,026	328,401	406,427
	<u>1,135,855</u>	<u>653,353</u>	<u>400,888</u>	<u>2,190,096</u>
Total Receipts Over/(Under) Disbursements	<u>(391,322)</u>	<u>1,424,927</u>	<u>(217,495)</u>	<u>816,110</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	70,000			70,000
Transfers-In	800,640	275,908	628,754	1,705,302
Advances-In	7,500	7,500	12,000	27,000
Transfers-Out	(117,068)	(1,668,000)		(1,785,068)
Advances-Out	(19,500)	(7,500)		(27,000)
	<u>741,572</u>	<u>(1,392,092)</u>	<u>640,754</u>	<u>(9,766)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	350,250	32,835	423,259	806,344
Fund Cash Balances, January 1	<u>1,183,488</u>	<u>693,408</u>	<u>1,111,045</u>	<u>2,987,941</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,533,738</u></b>	<b><u>\$726,243</u></b>	<b><u>\$1,534,304</u></b>	<b><u>\$3,794,285</u></b>
Reserves for Encumbrances, December 31	<u>\$81,242</u>	<u>\$28,164</u>	<u>\$39,444</u>	<u>\$148,850</u>

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

**VILLAGE OF MINERVA  
STARK COUNTY**

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

	<b>Proprietary Fund Types</b>		<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Internal Service</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>				
Charges for Services	\$723,350	\$231,800		\$955,150
Fines, License and Permits	1,947		\$64,449	\$66,396
Miscellaneous	14,347	803		15,150
	<u>739,644</u>	<u>232,603</u>	<u>64,449</u>	<u>1,036,696</u>
Total Operating Cash Receipts				
<b>Operating Cash Disbursements:</b>				
Personal Services	351,148			351,148
Contractual Services	178,141			178,141
Fringe Benefits		251,478		251,478
Supplies and Materials	85,458			85,458
Mayor's Court Distribution			64,449	64,449
Capital Outlay	91,158			91,158
	<u>705,905</u>	<u>251,478</u>	<u>64,449</u>	<u>1,021,832</u>
Total Operating Cash Disbursements				
Operating Income/(Loss)	<u>33,739</u>	<u>(18,875)</u>	<u>0</u>	<u>14,864</u>
<b>Non-Operating Cash Disbursements:</b>				
Debt Service	<u>71,030</u>			<u>71,030</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(37,291)	(18,875)	0	(56,166)
Transfers-In	<u>23,648</u>	<u>56,118</u>		<u>79,766</u>
Net Receipts Over/(Under) Disbursements	(13,643)	37,243	0	23,600
Fund Cash Balances, January 1	<u>629,535</u>	<u>327,361</u>	<u>0</u>	<u>956,896</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$615,892</u></b>	<b><u>\$364,604</u></b>	<b><u>\$0</u></b>	<b><u>\$980,496</u></b>
Reserves for Encumbrances, December 31	<u>\$45,014</u>	<u>\$32,428</u>	<u>\$0</u>	<u>\$77,442</u>

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

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Minerva, Stark 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. The Village operates under a Home Rule Charter which provides for a Council-Administrator form of government. Under this plan, an elected mayor performs the judicial functions and presides at Council meetings. All powers of the municipality are concentrated in a Council of 4 elected representatives plus the mayor. Council has full responsibility for determination of policies. The Charter concentrates actual administration in a Municipal Administrator who is appointed by, and at times is responsible to, the Council. The Village provides general government services, including water and sewer utilities; park operations (leisure time activities); and fire and police services.

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

The Village is associated with certain organizations which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Notes 10, 11 and 12. These organizations include:

Stark Council of Governments  
Stark County Regional Planning Commission  
Carroll County Regional Planning Commission

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 maintained their cash in a business checking account and certificates of deposit. Certificates of deposit are valued at cost.

**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:

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**D. Fund Accounting (Continued)**

**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.

*Income Tax Fund* - This fund receives revenues from local income tax collections to provide funds for the general fund, maintenance, new equipment and capital improvements of the Village.

**3. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

*Capital Improvement Fund* – This fund received revenues from local income tax collections to provided funds for the general operations, maintenance, new equipment and capital improvements of the Village.

**4. Enterprise Funds**

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

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing water service.

*Sanitary Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing sewer service.

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**D. Fund Accounting (Continued)**

**5. Internal Service Fund**

This fund is used to account for services provided by one department to other departments of the governmental unit. The Village has the following significant internal service fund:

*Self-funded Insurance Medical Fund* – This fund received insurance payments from other funds which are used to pay medical claims of full time employees enrolled in the health insurance plan.

**6. Fiduciary Fund (Agency Fund)**

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

*Mayor's Court Agency Fund* – This fund receives fines and forfeitures from the Mayor's Court to be distributed to the Village, State of Ohio, and other governments.

**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. The Village Council must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

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

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**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.

**G. Accumulated Leave**

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

**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:

	2003	2002
Demand deposits	\$234,739	\$316,040
Certificates of deposit	4,558,740	4,458,741
Total deposits	\$4,793,479	\$4,774,781

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,281,339	\$1,433,658	\$152,319
Special Revenue	1,778,520	1,751,551	(26,969)
Capital Projects	92,500	20,327	(72,173)
Enterprise	887,100	722,282	(164,818)
Internal Service	260,600	260,925	325
Fiduciary	66,000	47,262	(18,738)
Total	\$4,366,059	\$4,236,005	(\$130,054)

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,472,428	\$1,292,992	\$179,436
Special Revenue	1,838,555	1,744,919	93,636
Capital Projects	266,000	74,387	191,613
Enterprise	1,062,325	881,843	180,482
Internal Service	318,500	328,034	(9,534)
Fiduciary	66,000	47,262	18,738
Total	\$5,023,808	\$4,369,437	\$654,371

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,435,836	\$1,615,173	\$179,337
Special Revenue	2,399,775	2,354,188	(45,587)
Capital Projects	998,090	812,147	(185,943)
Enterprise	717,200	763,292	46,092
Internal Service	285,575	288,721	3,146
Fiduciary	66,000	64,449	(1,551)
Total	\$5,902,476	\$5,897,970	(\$4,506)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,505,354	\$1,334,165	\$171,189
Special Revenue	2,497,651	2,349,517	148,134
Capital Projects	1,137,300	440,332	696,968
Enterprise	882,050	821,949	60,101
Internal Service	329,000	283,906	45,094
Fiduciary	66,000	64,449	1,551
Total	\$6,417,355	\$5,294,318	\$1,123,037

**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.

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX (Continued)**

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. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. An additional .25% Fire levy tax expired as of 12/31/02.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village did not follow income tax ordinances regarding the allocation of receipts to funds.

**6. DEBT**

Debt outstanding at December 31, 2003 is as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$236,005	7.86%
	<hr/>	
Total	<u>\$236,005</u>	

The Ohio Water Development Authority (OWDA) loan related to a water and sewer plant expansion project that was mandated by the Ohio Environment Protection Agency. The OWDA approved a loan of \$704,713 in 1988. The loan will be repaid in semiannual installments of \$35,515, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village also had two commercial loans relating to the construction of the police station facility and the fire station facility. The balances outstanding at 12/31/01 were paid off in 2002, and there were no remaining balances outstanding to be paid off in 2003.



**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**6. DEBT (Continued)**

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

	<u>OWDA Loan</u>
Year ending December 31:	
2004	\$71,030
2005	71,030
2006	71,030
2007	71,030
2008	71,030
Total	<u><u>\$355,150</u></u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Police and Firemen's Disability & Pension Fund (PFDPF). Other full-time employees and the elected officials belong to the Ohio Public Employees Retirement System (OPERS). PFDPF and OPERS are cost-sharing, multiple-employer plan. 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 2003 and 2002, members of PFDPF contributed 10% of their wages, of which the Village picked up 3%. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members were required to contribute 8.5% of their wages, of which the Village picked up 3%. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**8. CONTINGENT LIABILITIES**

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

**9. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles;
- Errors and omissions
- Commercial Inland Marine
- Employer's liability
- Employee benefits liability
- Crime

**VILLAGE OF MINERVA  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

The Village is also self insured for health insurance. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially-measured liability as of December 31 follows:

	2002	2003
Cash and investments	\$364,604	\$319,709
Actuarial liabilities	89,954	128,362

**10. STARK COUNCIL OF GOVERNMENTS**

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and Canton Crime lab. SCOG is governed by the membership, including Stark County, and other villages, cities, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, a membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is dependent on the Village's continued participation; however, the Village does not have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark County Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

**11. STARK COUNTY REGIONAL PLANNING COMMISSION**

The Village participates in the Stark County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the state. The Commission is jointly governed among Stark County, and other villages, cities, and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designing management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**12. CARROLL COUNTY REGIONAL PLANNING COMMISSION**

The Village participates in the Carroll County Regional Planning Commission (Commission) which is a statutorily created political subdivision of the state. The Commission is jointly governed among Carroll County, and other villages, cities, and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and physical environment of Carroll County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designing management. The Village has no financial responsibility for any of the Commission's liabilities. Complete financial statements may be obtained from the Carroll County Regional Planning Commission, Carroll County, Ohio.



## **Auditor of State Betty Montgomery**

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

Village of Minerva  
Stark County  
209 North Market Street  
Minerva, Ohio 44657

To the Village Council:

We have audited the accompanying financial statements of the Village of Minerva, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 2003-001.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 30, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-002, 2003-003 and 2003-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider item 2003-002 listed above to be a material weakness.

We also 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 September 30, 2004.

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 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

September 30, 2004

**VILLAGE OF MINERVA  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Material Noncompliance Citation**

During 2003, the Village did not properly allocate its income tax proceeds in accordance with the Codified Ordinance as adopted by the council on December 30, 2002.

**Ordinance No. 43-02** amended Section 181.14 Paragraphs b,c, and d of Chapter 181 Income Tax Code of the Codified Ordinances of the Village of Minerva pertaining to the allocation of Income Tax Funding.

The amended Section 181.14 states, the funds collected under the provisions of this chapter shall be deposited in a special fund known as "Income Tax Fund" and such funds shall be disbursed in the following manner:

- (a) Such part thereof as shall be necessary to defray all costs of collecting the taxes and the cost of administering and enforcing the provisions thereof.
- (b) Not more than seventy-five percent (75%) of the net available income tax receipts received annually shall be deposited in the General Fund to defray operating expenses of the Municipality.
- (c) Not more than twenty-five percent (25%) of the net available Income Tax receipts received annually shall be deposited in the Street Department Fund.

Section 2 of Ordinance No. 43-02 indicates that the amended distribution of income tax revenues shall be for fiscal year 2003 only and shall revert to the previous distribution schedule in fiscal year 2004.

The Village failed to comply with section of Ordinance No. 43-02 for 2003 by allocating the net Income Tax revenue using the old allocation method adopted on June 26, 1979 which called for the allocation of 60% to the General Fund, 20% to the Capital Improvements and 20% to the Street Maintenance and Repair Fund.

As a result, income tax monies in the amounts of \$59,669 and \$19,870, were initially allocated to the Capital Project Fund rather than General and Special Revenue Funds. The required adjustments have been reflected in the financial statements.

The Village should follow the codified ordinance as passed. This will help eliminate the possibility of monies that have been earmarked for specific use not being available as desired and the potential of overspending in those funds.

**FINDING NUMBER 2003-002**

**Material Weakness**

During our review of the Income Tax collections process, we also noted the following internal control weaknesses:

- Village management has no key controls in place to monitor the effectiveness of tax collection procedures. There is no filing system in place by taxpayer's account, nor was the accounts monitored through other procedures. During our audit period, there were no effective controls in place to monitor Taxpayer information, including key standing and transaction data.

**FINDING NUMBER 2003-002  
(Continued)**

- The Income Tax Administrator has not developed a method to identify resident or business name modifications in a timely manner. This results in a potential loss of revenue.
- Evidence does not exist to indicate the Income Tax Administrator regularly utilizes the State List of Tax Filers or utility accounts to verify that all eligible Village residents or businesses remit income tax to the Village.

To improve internal controls over the Income Tax collection process, the Village should:

- Establish a filing system by taxpayer account that contains key standing and transaction data. The Village Income Tax Administrator should review these files at the end of the collection period to ensure that all tax payers have filed a return.
- Develop a method to identify resident or business name modifications to ensure that all taxes due are paid to the Village and that no potential losses result due to name changes.
- Utilize the State List of Tax Filers, phone book, or utility accounts to verify that all eligible Village residents or businesses remit income taxes to the Village. The Village Income Tax Administrator should provide evidence (e.g., initial, checkmark, etc.) to document these listings were reviewed to determine the completeness of income tax filings.

Following these procedures will help ensure that Income Tax receipts are properly monitored and that the Village is receiving the maximum potential income tax collections as required by the Village Income Tax Ordinances.

**FINDING NUMBER 2003-003**

**Reportable Conditions**

We noted the following issues during our testing of the Village's December 31, 2003 cash reconciliation:

- The Finance Director of the Village did not post prior year adjustments between the Special Revenue Fund and the Enterprise Fund in the amount of \$12,019.
- The Finance Director rolled over a \$2,000,000 Certificate of Deposit prior to year end in the amount of \$1,800,000. The difference of \$200,000 was recorded as an Investment Transfer In and allocated across the fund balances, thus overstating the actual fund cash balance from \$4,793,480 to \$4,993,480.

Due to the Finance Director not reconciling the Village's cash and investment balances, the above items exposed the Village to certain risks of loss and required adjustments to the financial statements. The Finance Director should:

- Post prior year re-class adjusting entries identified by the prior year audit staff in a timely manner.
- Maintain supporting documentation and explanations for adjustments made to the Village's accounting records.

**FINDING NUMBER 2003-003  
(Continued)**

- Ensure that changes in investment deposits are not recorded as receipts and/or disbursements against the fund balance on the financial statements. Also, balances should be reconciled in a timely fashion and provided to council each month along with any reconciling items for their review and approval of these amounts.

This will help ensure Village fund balances reflected on the Village's cash journal are accurately reported; and that all reconciling items are properly supported and authorized by council, as well as minimize the risk of loss.

**FINDING NUMBER 2003-004**

**Mayor's Court**

During the review of the Mayor's Court activity we noted the following:

- Mayor's court fines and costs paid to the Village through the mail were not being recorded on a cash book within the police department.
- Deposits made by the police department to the Mayor's office were not issued a pay-in receipt to verify and support the amounts being deposited with the Mayor's office.
- The individual receipts issued by the police department were not being reconciled to the Mayor's court daily cash journal.

To improve the internal controls over the collections and receipting of Mayor's Court monies the following should be implemented:

- All Court fines and cost being remitted to the Village whether being mailed or brought in to the village should be properly recorded in a cash book. This would help ensure that all revenues received are being properly recorded.
- Police department personnel should request a pay-in receipt for deposits made to the Mayor's office. This will help ensure that all deposits made are properly verified and supported.
- The Mayor's office should issue the police department a daily cash receipts report so that individual receipts can be compared and verified that payments were properly recorded. This will help ensure that all payments received are reconciled to the daily cash receipts journal.

By implementing these procedures, the Village will help ensure that all collections made at the police department are being properly paid into the Mayor's office and that all supporting information is with those deposits.

**VILLAGE OF MINERVA  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Ep</b> :
2001-31276-001	The Village did not comply with Chapter 181 of the Village Codified Ordinance relating to monitoring of taxpayers filings and penalty interest payments.	No	Not Corrected. Reported in the Management Letter.
2001-31276-002	Ohio Revised Code 731.141 establishes requirements for bidding and awarding contracts. The Village did not always properly bid contracts.	Yes	Corrected.





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**VILLAGE OF MINERVA**

**STARK 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 16, 2004**