

***VILLAGE OF MINERVA
STARK COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Members of Council
Village of Minerva
209 North Market Street
Minerva, Ohio 44657

We have reviewed the *Report of Independent Accountants* of the Village of Minerva, Stark County, prepared by Charles E. Harris & Associates, Inc. for the audit period January 1, 2004 through December 31, 2005. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the 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. 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the AOS 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 Minerva is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 10, 2006

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**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 & 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Minerva
Stark County
Minerva, Ohio

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, 2005 and 2004. 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 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 that 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 year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position for the year 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 of Minerva, Stark County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements and changes in fund cash balances 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 year ended December 31, 2005 and 2004. 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 June 21, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

June 21, 2006

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2005

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 159,940	\$ 149,709	\$ -	\$ 309,649
Municipal Income Taxes	-	1,530,317	-	1,530,317
Intergovernmental	174,521	234,709	88,323	497,553
Charges for Services	63,168	6,895	-	70,063
Fines, Licenses and Permits	46,742	32,419	-	79,161
Earnings on Investments	121,343	12,961	-	134,304
Miscellaneous	22,239	298	11,911	34,448
Total Receipts	587,953	1,967,308	100,234	2,655,495
Disbursements:				
Current:				
Security of Persons & Property	1,048,304	-	-	1,048,304
Public Health Services	19,446	141,229	-	160,675
Leisure Time Activities	-	61,370	-	61,370
Community Environment	3,133	-	-	3,133
Basic Utility Services	12,118	-	-	12,118
Transportation	-	375,066	-	375,066
General Government	260,139	88,462	-	348,601
Capital Outlay	255,025	120,537	455,032	830,594
Total Disbursements	1,598,165	786,664	455,032	2,839,861
Total Receipts Over/(Under) Disbursements	(1,010,212)	1,180,644	(354,798)	(184,366)
Other Financing Sources/(Uses):				
Transfers-In	876,600	301,060	304,145	1,481,805
Advances-In	150,000	-	150,000	300,000
Transfers-Out	(59,000)	(1,461,000)	-	(1,520,000)
Advances-Out	(150,000)	-	(150,000)	(300,000)
Total Other Financing Sources/(Uses)	817,600	(1,159,940)	304,145	(38,195)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(192,612)	20,704	(50,653)	(222,561)
Fund Cash Balance, January 1, 2005	1,725,446	717,858	1,177,145	3,620,449
Fund Cash Balance, December 31, 2005	\$ 1,532,834	\$ 738,562	\$ 1,126,492	\$ 3,397,888
Encumbrances, December 31, 2005	\$ 7,357	\$ 4,004	\$ 20,700	\$ 32,061

See Accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 157,084	\$ 141,992	\$ -	\$ 299,076
Municipal Income Taxes	-	1,100,333	-	1,100,333
Intergovernmental	199,749	193,819	-	393,568
Charges for Services	55,594	25,346	-	80,940
Fines, Licenses and Permits	37,177	3,731	-	40,908
Earnings on Investments	60,546	2,177	9,600	72,323
Miscellaneous	37,554	100	-	37,654
Total Receipts	547,704	1,467,498	9,600	2,024,802
Disbursements:				
Current:				
Security of Persons & Property	939,994	-	-	939,994
Public Health Services	13,035	148,984	-	162,019
Leisure Time Activities	-	58,089	-	58,089
Community Environment	3,276	-	-	3,276
Basic Utility Services	11,956	-	-	11,956
Transportation	-	346,083	-	346,083
General Government	286,859	54,117	-	340,976
Capital Outlay	118,604	113,204	336,617	568,425
Total Disbursements	1,373,724	720,477	336,617	2,430,818
Total Receipts Over/(Under) Disbursements	(826,020)	747,021	(327,017)	(406,016)
Other Financing Sources/(Uses):				
Transfers-In	788,225	274,992	105	1,063,322
Advances-In	75,000	-	75,000	150,000
Transfers-Out	(38,244)	(1,051,107)	-	(1,089,351)
Advances-Out	-	-	(75,000)	(75,000)
Total Other Financing Sources/(Uses)	824,981	(776,115)	105	48,971
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(1,039)	(29,094)	(326,912)	(357,045)
Fund Cash Balance, January 1, 2004	1,726,485	746,952	1,504,057	3,977,494
Fund Cash Balance, December 31, 2004	\$ 1,725,446	\$ 717,858	\$ 1,177,145	\$ 3,620,449
Encumbrances, December 31, 2004	\$ 50,974	\$ 3,879	\$ 5,079	\$ 59,932

See Accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 All Proprietary Funds and Similar Fiduciary Funds
 For the Year Ended December 31, 2005

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency Fund	
Receipts:				
Charges for Services	\$ 739,641	\$ 272,000	\$ -	\$ 1,011,641
Fines, Licenses and Permits	-	-	55,785	55,785
Miscellaneous	5,060	12,084	-	17,144
Total Receipts	744,701	284,084	55,785	1,084,570
Disbursements:				
Personal Services	304,242	-	-	304,242
Employee Fringe Benefits	177,500	333,223	-	510,723
Contractual Services	115,922	3,107	-	119,029
Materials and Supplies	94,629	-	-	94,629
Mayor's Court Distribution	-	-	55,785	55,785
Capital Outlay	21,528	-	-	21,528
Total Disbursements	713,821	336,330	55,785	1,105,936
Excess of Receipts Over (Under) Disbursements	30,880	(52,246)	-	(21,366)
Nonoperating Receipts (Disbursements):				
Debt Service:				
Principal	(56,605)	-	-	(56,605)
Interest	(12,847)	-	-	(12,847)
Proceeds of Issue II Loan	24,970	-	-	24,970
Total Nonoperating Receipts (Disbursements)	(44,482)	-	-	(44,482)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	(13,602)	(52,246)	-	(65,848)
Transfers in	32,051	6,144	-	38,195
Net Receipts Over/(Under) Disbursements	18,449	(46,102)	-	(27,653)
Fund Balance, January 1, 2005	464,966	279,652	-	744,618
Fund Balance, December 31, 2005	\$ 483,415	\$ 233,550	\$ -	\$ 716,965
Encumbrances, December 31, 2005	\$ 4,416	\$ 9,228	\$ -	\$ 4,416

See Accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 All Proprietary Funds and Similar Fiduciary Funds
 For the Year Ended December 31, 2004

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency Fund	
Receipts:				
Charges for Services	\$ 711,516	\$ 279,713	\$ -	\$ 991,229
Fines, Licenses and Permits	-	-	44,901	44,901
Miscellaneous	3,335	-	-	3,335
Total Receipts	714,851	279,713	44,901	1,039,465
Disbursements:				
Personal Services	295,080	-	-	295,080
Employee Fringe Benefits	149,427	322,012	-	471,439
Contractual Services	123,353	1,674	-	125,027
Materials and Supplies	91,301	-	-	91,301
Mayor's Court Distribution	-	-	44,901	44,901
Capital Outlay	40,113	-	-	40,113
Total Disbursements	699,274	323,686	44,901	1,067,861
Excess of Receipts Over (Under) Disbursements	15,577	(43,973)	-	(28,396)
Nonoperating Receipts (Disbursements):				
Debt Service:				
Principal	(52,480)	-	-	(52,480)
Interest	(16,520)	-	-	(16,520)
Total Nonoperating Receipts (Disbursements)	(69,000)	-	-	(69,000)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	(53,423)	(43,973)	-	(97,396)
Transfers in	22,113	3,916	-	26,029
Net Receipts Over/(Under) Disbursements	(31,310)	(40,057)	-	(71,367)
Fund Balance, January 1, 2004	496,276	319,709	-	815,985
Fund Balance, December 31, 2004	\$ 464,966	\$ 279,652	\$ -	\$ 744,618
Encumbrances, December 31, 2004	\$ 8,668	\$ 31,395	\$ -	\$ 40,063

See Accompanying Notes to the Financial Statements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Minerva, Stark County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village 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 governmental services, including water and sewer utilities; park operations (leisure time activities); and fire and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

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 Note 8. These organizations include:

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

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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.)

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

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. CASH

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

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of “Fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- 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.

Capital Projects: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Fund:

- Capital Improvement Fund – This fund receives revenues from local income tax collections to provide for new equipment and capital improvements of the Village.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Proprietary Fund Types:

Enterprise Funds:

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

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

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 receives insurance payments from other funds, which are used to pay medical claims of full time employees enrolled in the health insurance plan.

Fiduciary Fund Type: This fund is used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

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.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

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 2005 and 2004 budgetary activity appears in Note 4.

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

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.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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:

	<u>2005</u>	<u>2004</u>
Demand Deposits	\$106,113	\$106,327
Certificates of Deposit	4,008,740	4,258,740
Total	<u>\$4,114,853</u>	<u>\$4,365,067</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. 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 rate 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 County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,329,269	\$ 1,614,553	\$ 285,284
Special Revenue	2,196,067	2,268,368	72,301
Capital Projects	371,600	554,379	182,779
Enterprise	747,150	801,722	54,572
Internal Service	268,000	290,228	22,228
Total	\$ 4,912,086	\$ 5,529,250	\$ 617,164

2005 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,999,658	\$ 1,814,522	\$ 185,136
Special Revenue	2,423,260	2,251,668	171,592
Capital Projects	555,679	625,732	(70,053)
Enterprise	975,786	787,689	188,097
Internal Service Fund	377,095	345,558	31,537
Total	\$ 6,331,478	\$ 5,825,169	\$ 506,309

2004 Budgeted vs Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,193,915	\$ 1,410,929	\$ 217,014
Special Revenue	1,586,833	1,742,490	155,657
Capital Projects	31,533	84,705	53,172
Enterprise	890,550	736,964	(153,586)
Internal Service	252,500	283,629	31,129
Total	\$ 3,955,331	\$ 4,258,717	\$ 303,386

2004 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 1,694,159	\$ 1,462,942	\$ 231,217
Special Revenue	1,766,505	1,775,463	(8,958)
Capital Projects	435,813	416,696	19,117
Enterprise	1,062,024	776,942	285,082
Internal Service Fund	385,714	355,081	30,633
Total	\$ 5,344,215	\$ 4,787,124	\$ 557,091

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

4. BUDGETARY – (Continued)

Contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures plus encumbrances exceeding appropriations.

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, 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 prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2005.

6. 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

The Village is also self insured for health insurance. The Self Insurance Fund pays covered claims to service providers, and recovers the 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:

	<u>2004</u>	<u>2005</u>
Cash and investments	\$ 279,652	\$ 233,550
Actuarial liabilities	136,148	154,870

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

7. 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.

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.

8. DEBT

Debt outstanding at December 31, 2005 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1752	\$ 126,920	7.86%
Ohio Water Development Authority Loan #4322	\$ 24,970	0%

Principal and interest requirements for debt outstanding at December 31, 2005 is as follows:

<u>Year Ended</u>	<u>OWDA Loan #1752</u>	<u>OWDA Loan #4322</u>
2006	\$ 35,515	\$ -
2007	71,031	2,497
2008	35,515	2,497
2009	-	2,497
2010	-	2,497
2011-2015	-	12,485
2016	-	2,497
Total	<u>\$ 142,061</u>	<u>\$ 24,970</u>

The Ohio Water Development Authority (OWDA) loan # 1752 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 Ohio Water Development Authority (OWDA) loan # 4322 related to a wastewater plant expansion project that was mandated by the Ohio Environment Protection Agency. The OWDA approved a loan of \$24,970 in 2005. The loan will be repaid in semiannual installments of \$1,249, over 10 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

9. JOINTLY GOVERNED ORGANIZATIONS

The Stark Council of Governments (SCOG) is jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SOG'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, the membership approves it's 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.

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 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.

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 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 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.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. TRANSFERS

The Village transferred monies from its Special Revenue Income Tax fund to other funds, in accordance with Village ordinances and the Ohio Revised Code.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Village Council
Village of Minerva
Minerva, Ohio

We have audited the financial statements of the Village of Minerva, Stark County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 21, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion 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 a reportable condition. 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 the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-001.

A material weakness is a reportable 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 caused by error or fraud 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 matter 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. However, we do not believe the reportable condition 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, grant agreements and other matters, 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 described in the accompanying Schedule of Findings as item 2005-002.

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

Charles E. Harris and Associates, Inc.

June 21, 2006

**VILLAGE OF MINERVA
STARK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

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

Finding # 2005-001

Reportable Condition

We noted the following issue during our testing of the Village's cash reconciliation process:

The Finance Director is not reconciling the Village's cash and investment balances, which exposes the Village to certain risks of loss and possible misstatement of the financial statements. The Finance Director should ensure that changes in investment deposits are reconciled along with any and all cash accounts against the fund balance on the financial statements. 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 minimizing the risk of loss.

Management Response:

Management is evaluating new procedures and will implement in 2006.

Finding # 2005-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) provides, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated. Total expenditures plus encumbrances exceeded total appropriations in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Expenditures plus Encumbrances</u>	<u>Total Appropriations</u>	<u>Variance</u>
2005	Capital Projects Fund: Capital Improvement	\$ 536,880	\$ 450,600	\$ (86,280)
2004	Special Revenue Fund: Income Tax	1,103,140	1,002,573	(100,567)

Management Response:

Management will more closely monitor the budgetary process in the future.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
For the Years Ending December 31, 2005 and 2004**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Improper distribution of income tax proceeds in accordance with Ordinance # 43-02	Yes	Finding no longer valid, distribution was only for fiscal year 2003.
2003-002	Lack of controls in the Income Tax collections department, no filing system, no system of identifying potential taxpayers.	Yes	Corrective action taking, system established to identify and track taxpayers
2003-003	Cash reconciliation not being performed	No	Reissued see finding # 2005-001
2003-004	Improper receipting and recording of Mayor's Court activity	Yes	Corrective action taken, procedures have been enacted to properly receipt and record the activity



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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
AUGUST 22, 2006**