
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF MINERVA

STARK COUNTY, OHIO

A&A
REGULAR AUDIT

FOR THE PERIOD

December 31, 2016

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Dave Yost • Auditor of State

Village Council
Village of Minerva
209 N. Market
Minerva, OH 44657

We have reviewed the *Independent Auditor's Report* of the Village of Minerva, Stark County, prepared by Alger & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. 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.

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 "Dave Yost".

Dave Yost
Auditor of State

December 5, 2017

VILLAGE OF MINERVA
STARK COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Minerva, Stark County, (the Village) as of and for the year ended December 31, 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Minerva, Stark County as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Alger and Associates Inc
Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc, o, ou, email=ksalger46@att.net, c=US
Date: 2017.11.13 18:32:39 -05'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio
November 7, 2017

Village of Minerva, Ohio
Stark County
Combined Statement of Receipts, Disbursements and Changes in Fund
Balances - (Cash Basis) All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$126,497	\$173,069	\$0	\$299,566
Municipal Income Taxes	2,567,680	0	0	2,567,680
Intergovernmental	81,614	237,488	0	319,102
Charges for Services	2,003	35,641	0	37,644
Fines, Licenses and Permits	100,323	6,540	0	106,863
Earnings on Investments	9,535	0	0	9,535
Miscellaneous	31,548	153	650	32,351
<i>Total Cash Receipts</i>	<u>2,919,200</u>	<u>452,891</u>	<u>650</u>	<u>3,372,741</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,332,272	76,177	0	1,408,449
Public Health Services	21,223	29,453	0	50,676
Leisure Time Activities	0	116,831	0	116,831
Community Environment	35,951	0	0	35,951
Basic Utility Services	43,391	0	0	43,391
Transportation	0	521,370	0	521,370
General Government	462,451	2,431	0	464,882
Capital Outlay	431,344	103,024	497,642	1,032,010
Debt Service:				
Redemption of Principal	0	0	8,806	8,806
<i>Total Cash Disbursements</i>	<u>2,326,632</u>	<u>849,286</u>	<u>506,448</u>	<u>3,682,366</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>592,568</u>	<u>(396,395)</u>	<u>(505,798)</u>	<u>(309,625)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	413,490	309,367	722,857
Transfers Out	(722,857)	0	0	(722,857)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(722,857)</u>	<u>413,490</u>	<u>309,367</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(130,289)</u>	<u>17,095</u>	<u>(196,431)</u>	<u>(309,625)</u>
<i>Fund Cash Balances , January 1</i>	<u>3,481,102</u>	<u>777,077</u>	<u>840,510</u>	<u>5,098,689</u>
Fund Cash Balances , December 31				
Restricted	0	601,646	220,201	821,847
Committed	45,460	0	0	45,460
Assigned	422,599	192,526	423,878	1,039,003
Unassigned	2,882,754	0	0	2,882,754
<i>Fund Cash Balances , December 31</i>	<u>\$3,350,813</u>	<u>\$794,172</u>	<u>\$644,079</u>	<u>\$4,789,064</u>

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

Village of Minerva, Ohio
 Stark County
 Combined Statement of Receipts, Disbursements and Changes in
 Fund Balance (Cash Basis) - All Proprietary and Fiduciary Fund Types
 For the Year Ended December 31, 2016

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$932,153	\$600,000	\$0	\$1,532,153
Fines, Licenses and Permits	3,679	0	0	3,679
Miscellaneous	3,721	0	0	3,721
<i>Total Operating Cash Receipts</i>	<u>939,553</u>	<u>600,000</u>	<u>0</u>	<u>1,539,553</u>
Operating Cash Disbursements				
Personal Services	476,391	0	0	476,391
Contractual Services	210,067	0	0	210,067
Supplies and Materials	102,264	0	0	102,264
Claims	0	615,621	0	615,621
<i>Total Operating Cash Disbursements</i>	<u>788,723</u>	<u>615,621</u>	<u>0</u>	<u>1,404,344</u>
<i>Operating Income (Loss)</i>	<u>150,830</u>	<u>(15,621)</u>	<u>0</u>	<u>135,209</u>
Non-Operating Receipts (Disbursements)				
Mayor's Court Fines and Fees	0	0	94,572	94,572
Loan Proceeds	58,616	0	0	58,616
Distribution of Fines and Fees	0	0	(93,120)	(93,120)
Capital Outlay	(85,734)	0	0	(85,734)
Principal Retirement	(61,424)	0	0	(61,424)
Interest and Other Fiscal Charges	(8,535)	0	0	(8,535)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<u>(97,077)</u>	<u>-</u>	<u>1,453</u>	<u>(95,625)</u>
<i>Net Change in Fund Cash Balances</i>	53,753	(15,621)	1,453	39,585
<i>Fund Cash Balances, January 1</i>	<u>491,472</u>	<u>390,860</u>	<u>1,538</u>	<u>883,870</u>
<i>Fund Cash Balances, December 31</i>	<u>\$545,225</u>	<u>\$375,239</u>	<u>\$2,991</u>	<u>\$923,455</u>

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

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Minerva (the Village), Stark County, is a body politic and corporate 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, a publicly-elected four-member Council, plus the Mayor, directs the Village. The Charter concentrates actual administration in a Municipal Administrator who is appointed by, and at time is responsible to, the Council. The Village provides water and sewer utilities, street maintenance, a swimming pool, and police services. The Village contracts with Sandy Creek Joint Fire District to receive fire protection and ambulance services.

The Village participates in several jointly governed organizations, including the Stark Council of Governments (SCOG), Stark Regional Planning Commission and the Carroll County Regional Planning Commission. Note 11 to the financial statements provides additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund (which includes the Income Tax Fund for financial reporting purposes) accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repairing of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies *(continued)*

Capital Improvement Fund – This fund receives local income taxes and state grants to provide for new equipment and capital improvements within the Village.

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

Water Fund This fund receives charges for services from residents to cover water service costs.

Sewer Fund This fund receives charges for services from residents to cover sewer service costs.

Internal Service Fund This fund accounts for services provided by one department to other departments of the government unit. The Village had the following Internal Service Fund:

Self-funded Insurance Medical Fund – The self-funded insurance medical fund accounts for insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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. The Village had no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for fines, bonds and costs received that were assessed by the Village Mayor's Court and disburses these amounts to the State, Village or the payee.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, 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. Unencumbered appropriations lapse at year end.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - 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 approve estimated resources.

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

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is ***restricted*** when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can ***commit*** amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies *(continued)*

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Swimming Pool fund by \$2,096 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,976,609	\$2,919,200	(\$57,409)
Special Revenue	852,826	866,381	13,555
Capital Projects	309,293	310,017	724
Enterprise	904,700	998,169	93,469
Internal Service	586,000	600,000	14,000
Fiduciary	106,000	94,572	(11,428)
Total	\$5,735,428	\$5,788,339	\$52,911

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,344,848	\$3,049,489	\$295,359
Special Revenue	1,087,455	849,286	238,169
Capital Projects	673,917	506,448	167,469
Enterprise	998,202	944,416	53,786
Internal Service	653,690	615,621	38,069
Fiduciary	101,000	93,120	7,880
Total	\$6,859,112	\$6,058,380	\$800,732

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – Deposits and Investments

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The bank balances at December 31, 2016 was as follows:

	<u>2016</u>
Demand deposits	\$1,099,389
Certificates of deposit	<u>908,740</u>
Total deposits	<u>2,008,129</u>
STAR Ohio	283
Money Markets	<u>3,704,107</u>
Total investments	<u>3,704,390</u>
Total deposits and investments	<u><u>\$5,712,519</u></u>

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

Investments The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

Income Taxes

The Village levies a municipal income tax of 1.5 percent 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 either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Risk Management

Commercial Insurance

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; and
- Crime.

Self-Insurance

The Village was a member of the Jefferson Health Plan during 2016. The self-insurance plan is a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Village's behalf. The plan offers medical and prescription drug coverage on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The Village's Self Insurance Fund recovers the costs of this plan by charging the other funds based on an actuarially determined cost per employee. The Self Insurance Fund's cash and investments at December 31, 2016 is as follows:

	2016
Cash and investments	<u>\$375,239</u>

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 - Defined Benefit Pension Plans *(continued)*

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages from for 2016. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission (CS04K)	\$140,000	0%
Ohio Public Works Commission (CT78F)	46,660	0%
Ohio Public Works Commission (CT73K)	147,234	0%
Ohio Public Works Commission (CS09Q)	90,000	0%
Ohio Public Works Commission (CS110)	17,482	0%
Ohio Public Works Commission (CT83R)	25,920	0%
Ohio Water Development Authority Loan (6617)	676,600	1%
Total	\$1,143,896	

The Ohio Public Works Commission (OPWC) Loan #CS04K is for the Market Street reconstruction project. The loan was approved in the amount of \$200,000 and the Village will repay the loan in semiannual installments of \$3,333 over a period of thirty years.

The Ohio Public Works Commission (OPWC) Loan #CT78F is for the water plant improvement project. The loan was approved in the amount of \$88,877 and the Village will repay the loan in semiannual installments of \$2,222 over a period of twenty years.

The Ohio Public Works Commission (OPWC) Loan #CT73K is for the water line replacement project. The loan was approved in the amount of \$210,333 and the Village will repay the loan in semiannual installments of \$3,505 over a period of thirty years.

The Ohio Public Works Commission (OPWC) Loan #CS09Q is for the waste water treatment plant headworks project. The loan was approved in the amount of \$100,000 and the Village will repay the loan in semiannual installments of \$2,500 over a period of twenty years.

The Ohio Public Works Commission (OPWC) Loan #CS110 is for the Jackson Street storm sewer and road construction project. The loan was approved in the amount of \$21,190.40 and the Village will repay the loan in semiannual installments of \$529.76 over a period of twenty years.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 10 – Debt *(continued)*

The Ohio Public Works Commission (OPWC) Loan #CT83R is for the Jackson Street storm sewer and road construction project phase II. The loan was approved in the amount of \$27,000 and the Village will repay the loan in semiannual installments of \$540 over a period of twenty years.

The Ohio Water Development Authority (OWDA) Loan #6617 relates to WWTP influent upgrade. The OWDA approved a loan in the amount of \$921,537 to the Village for this project. The amortization schedule is not available. OWDA will release the schedule when the loan is finalized. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OPWC CS04K	OPWC CT78F	OPWC CT73K	OPWC CS09Q	OPWC CS110	OPWC CT83R	OWDA 6617
2017	\$6,667	\$4,444	\$7,011	\$5,000	\$1,060	\$1,080	\$50,953
2018	6,667	4,444	7,011	5,000	1,060	1,080	50,953
2019	6,667	4,444	7,011	5,000	1,060	1,080	50,953
2020	6,667	4,444	7,011	5,000	1,060	1,080	50,953
2021-2025	33,335	22,220	35,055	25,000	5,300	5,400	50,953
2026-2030	33,335	6,664	35,055	25,000	5,300	5,400	254,764
2031-2035	33,335	0	35,055	20,000	2,642	5,400	169,196
2036-2038	13,327	0	14,024	0	0	5,400	0
Total	<u>\$140,000</u>	<u>\$46,660</u>	<u>\$147,233</u>	<u>\$90,000</u>	<u>\$17,482</u>	<u>\$25,920</u>	<u>\$678,725</u>

Note 11 – Jointly Governed Organizations

The Stark Council of Governments (SCOG) is a jointly governed organization. The SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. The SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and Canton Crime Lab. The 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 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 nor is it experiencing fiscal stress, which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the SCOG at 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 physical environment of Stark County. The Board exercises total authority for the day-to-day operations of the Commission.

Village of Minerva, Ohio
Stark County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 – Jointly Governed Organizations *(continued)*

These include budgeting, appropriating, contracting and designing management. The Village shares in the financial responsibility for any of the Commission's liabilities. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Canton, Ohio.

The Village also 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 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 shares in the 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.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Village of Minerva, Stark County, (the Village) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2016-002 through 2016-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-003.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alger and Associates Inc
Digitally signed by Alger and Associates Inc
DN: cn=Alger and Associates Inc, o, ou, email=ksalger46@att.net, c=US
Date: 2017.11.13 18:34:02 -05'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

November 7, 2017

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Noncompliance

Expenditures Limited by Appropriations

Ohio Revised Code Section 5705.41(B) states, that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Swimming Pool fund had expenditures plus encumbrances in excess of appropriations by \$2,096, contrary to Ohio Revised Code Section 5705.41(B) at December 31, 2016.

This situation increases the possibility that deficit spending may occur. The Fiscal Officer should deny expenditures exceeding the appropriations or follow the requirements to increase the appropriations.

We recommend that Management monitor their budgetary accounts throughout the year to ensure that expenditures do not exceed appropriations and prior year carryover encumbrances. Fund appropriations should be amended to correspond with any increase or decrease in fund expenditures.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness: Financial Reporting

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The prior Finance Director was responsible to exercise prudence and integrity in the management of funds in her custody and in all financial transactions. Sound financial reporting is the responsibility of the Finance Director, Village Administrator, Mayor, and Village Council and is essential to ensure the information provided to the readers of the financial statements are complete and accurate.

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Village records. This process involves reconciling the bank balance to the cash and investment balance. For the audit period, (12 months), the Village was not properly reconciled as required. For 2016, the prior Finance Director did not complete any bank reconciliations and the Village Administrator and Council did not insure the Finance Director was reconciling the bank accounts.

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2016
(continued)

FINDING NUMBER 2016-002 (continued)

Noncompliance and Material Weakness

Because the prior Fiscal Officer failed to properly maintain complete and accurate financial records, reconcile the Village accounts with the bank properly and the Administrator, Mayor and Council's failure to provide the appropriate oversight and monitoring, the Village contracted with a CPA firm, to perform a reconstruction of the Village records in order to determine the financial position of the Village. This was a cost to the Village of \$4,404. The additional audit costs incurred was \$1,064.

In order to properly reflect the financial position, the Village reconstruction found significant accounting errors which required an adjustment to the funds. The current Finance Director (Patricia Willoughby) had to research and record over 100 adjustments for the audit period. The following reclassifications and adjustment were qualitatively and quantitatively material to the financial statements of the Village and have been recorded to the accompanying December 31, 2016 financial statements and Village accounting records.

Several other immaterial adjustments were made to the financial statements of the Village to properly reflect the receipts and expenditure to the financial statements. This included transactions not posted, transactions posted twice and/or voided transactions. The current Finance Director was incremental in correcting and identifying these 100 adjustments. Some of the more significant adjustments are as follows:

We noted the following posting errors in 2016:

- \$12,356 employer's share of Ohio Public Employees Retirement System pension cost was paid and posted to the payroll system however, the expenditures were never posted to the financial accounting system.
- \$7,228 employer's share of Ohio Police & Fire Retirement System pension cost was paid and posted to the payroll system however, the expenditures were never posted to the financial accounting system.
- \$4,123 voided or cashed checks not booked properly.
- \$3,790 a negative revenue recorded in error was doubled recorded.
- \$2,830 bank analysis fee for January posted twice.
- \$1,616 an interest earnings from January through August not recorded to the accounting system.

The Village Finance Director should review the Village Manual for guidance on the correct line item to post various receipts and expenditures. Also, the Finance Director should ensure the financial statements properly reflect the financial position of the Village.

The Village has made all the appropriate adjustments identified.

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2016
(continued)

FINDING NUMBER 2016-002 (continued)

Noncompliance and Material Weakness

Because the prior Finance Director failed to maintain complete and accurate accounting records and perform monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

To help ensure the Village's financial records are complete and accurate the Finance Director should complete monthly bank reconciliations in a timely manner. The Administrator and Council should review the reconciliations and any unexplained and unsupported differences should be thoroughly explained and documented.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness Village Charter-Fiscal Officer

The Village Charter - Sec. 6.05 Powers and Duties of the Director of Finance states in part; The Director of Finance shall be the fiscal officer of the Municipality. He shall keep the financial records of the Municipality, exhibiting accurate statements of all moneys received and expended, of all property owned by the Municipality, and of all taxes and assessments. He shall advise the Administrator and the Council concerning the financial condition of the Municipality and shall examine all payrolls, bills and other claims against the Municipality and shall issue no warrants unless he finds that the claim is in proper form, correctly computed, duly approved and that an appropriation has been made therefor. He shall collect all money due and payable to the Municipality and shall be the custodian of all public money of the Municipality and shall disburse the same as may be required by law or ordinance. He shall render statements to and receive payments from the customers of the utilities operated by the Municipality and shall administer and collect all taxes levied by the Municipality, except those taxes where the laws of the State of Ohio require a County or State official to administer and collect the tax.

He shall examine and audit the accounts of all other officers, employees, departments, boards and commissions, and shall assist the Administrator in the preparation and submission of appropriation measures, estimates, budgets and other financial matters. He shall perform all other duties now or hereafter imposed on City Auditors and Treasurers under the laws of the State of Ohio and shall perform such other duties, consistent with his office, as may be required by this Charter, by ordinance or resolution of Council, or as directed by the Administrator.

During the course of the audit we noted the Finance Department is decentralized thus the Tax Department, Utility Department and Payroll Department all report to the Village Administrator rather than the Finance Director who is responsible for financial operations of the Village as noted in the Charter. Thus the Finance Director has no control over the fiscal operations of these departments.

Also as required by this section the Director of Finance shall prepare annual financial and other reports required by law and shall make periodic reports concerning appropriations, encumbrances and expenditures of the departments, divisions, boards and commissions as may be required by the Council or the Administrator. He shall submit to the Council and Administrator, and make available to the public, a complete report on the finances of the Municipality as of the end of each fiscal year. We were unable to locate where the prior Finance Director prepared any such report for 2016. The current Director of Finance has begun to prepare these required reports and submit to Council and the Administrator.

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2016
(continued)

FINDING NUMBER 2016-003

Noncompliance and Material Weakness Village Charter-Fiscal Officer (continued)

We recommend the Village consider centralizing the fiscal operations of the Village under the Finance Director. The Finance Director should develop policy and procedures over the financial operations to help insure the Village is in compliance with the Village Charter, reconciled and all financial transaction are properly recorded. The Finance Director should insure all financial reports are completed. This would also help to eliminate any errors or irregularities from occurring.

FINDING NUMBER 2016-004

Material Weakness

Budgetary Information – Accounting System

Accurate budgetary information within the Village’s accounting system is pertinent to ensure that the Village has accurate and complete information for decision-making processes. Budgetary information entered into the accounting system does not match amounts per the estimated resources certified by the County for 2016. The fund and amounts recorded in the accounting systems compared to the amount certified are as follows:

2016:	Co Auditor <u>Certification</u>	Revenue Status <u>Report</u>	<u>Variance</u>
General Fund	\$1,767,202	\$1,658,143	\$109,059
Income Tax Fund	\$2,550,000	\$2,150,000	\$400,000
EMS Fund	\$81,440	\$75,000	\$6,440
Sewer Operating	\$482,000	\$490,500	\$8,500

The Village should implement the appropriate procedures, such as ensuring minutes include accurate information on budgetary amendments and reconciling budgetary information within the accounting system to formally approved budgets, to ensure that budgetary information is presented accurately and completely.

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2016
(continued)

FINDING NUMBER 2016-005

Significant Deficiency

The Village has not adopted a formal written accounting procedures manual. The manual should include accounting procedure narratives for all receipt cycles, non-payroll and payroll expenditures. These narratives would detail the procedures necessary to perform each of the duties (receipting and disbursing of non-payroll and payroll transactions) necessary for the various employees. In addition, the manual should detail the suggested training for the various positions.

The lack of a formal written accounting procedure manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties and errors not being detected in a timely manner, and incorrect accounting procedures. As well as developing a formal policy and procedures manual, employees should also be cross-trained on other Village jobs to help ensure all employees are familiar with procedures.

The Village should develop and adopt a formal written accounting procedure manual to assist in the event that employees are on vacation, sick or are no longer working for the Village. During these situations, another member of the Village's administration could use the detailed accounting procedures manual to perform the day to day financial duties during any such absence. This may help ensure a defined system of accounting and reporting exists at the Village. Cross-training employees between departments may also assist with this new internal control system.

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Village of Minerva

Minerva, Ohio 44657

November 13, 2017

To Whom It May Concern,

The Village of Minerva has reviewed the 2016 audit draft as submitted by Alger & Associates. We would like to address the issues that were found for the audit period.

1. Expenditures Limited by Appropriations: Finding Number 2016-001

The Village of Minerva will more closely monitor our expenditures in an attempt to ensure that no accounts exceed appropriations. We understand how important it is to avoid any issues such as deficit spending so therefore we will more closely monitor our funds.

2. Financial Reporting: Finding Number 2016-002

We believe that the previous Finance Director for the Village of Minerva did perform bank reconciliations, though they were not performed accurately. These incorrect bank reconciliations led to several posting errors.

The current Finance Director performs accurate bank reconciliations each month and Village Council is given a copy of the reconciliation every month along with a detailed financial statement. The current Finance Director ensures balancing each month between the bank balance and the cash and investment balances.

We believe there should not be any future issues in this matter.

Village of Minerva

Minerva, Ohio 44657

3. Village Charter-Fiscal Officer: Finding Number 2016-003

The Village of Minerva will review the Village Charter for proper language. The role and duties of the Finance Director will be discussed by Village Council and the Village Administrator. Currently, the departments of Payroll, Income Tax, and Water/Sewer are under the direction of the Village Administrator and not the Finance Director. Village Council, the Village Administrator and the Finance Director will discuss what is currently expected of the Finance Director and what they would like the future duties of that position to encompass.

4. Budgetary Information-Accounting System: Finding Number 2016-004

The Village of Minerva will work hard to try to ensure that the budgetary information matches the accounting system per appropriations and the certified estimated resources. We understand how important it is for Village Council to have accurate information so they may appropriate funds wisely.

5. Accounting Procedures Manual: Finding Number 2016-005

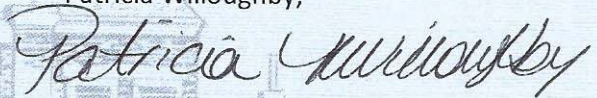
The Village of Minerva does not have a current formal written accounting procedures manual that we can find. The prior Finance Director stated in an email to the Auditor of State's office that we have such a manual, but we are unable to find it in our offices. If we cannot find this manual, the Village of Minerva Finance Director will work on writing one. However, in order to properly complete said manual, decisions will first have to be made by the Village Administrator and Village Council on how the duties and responsibilities of the offices will be handled. Once the departments have clear direction on to whom they are reporting, a manual will be written to the best of the Finance Director's abilities.

Village of Minerva

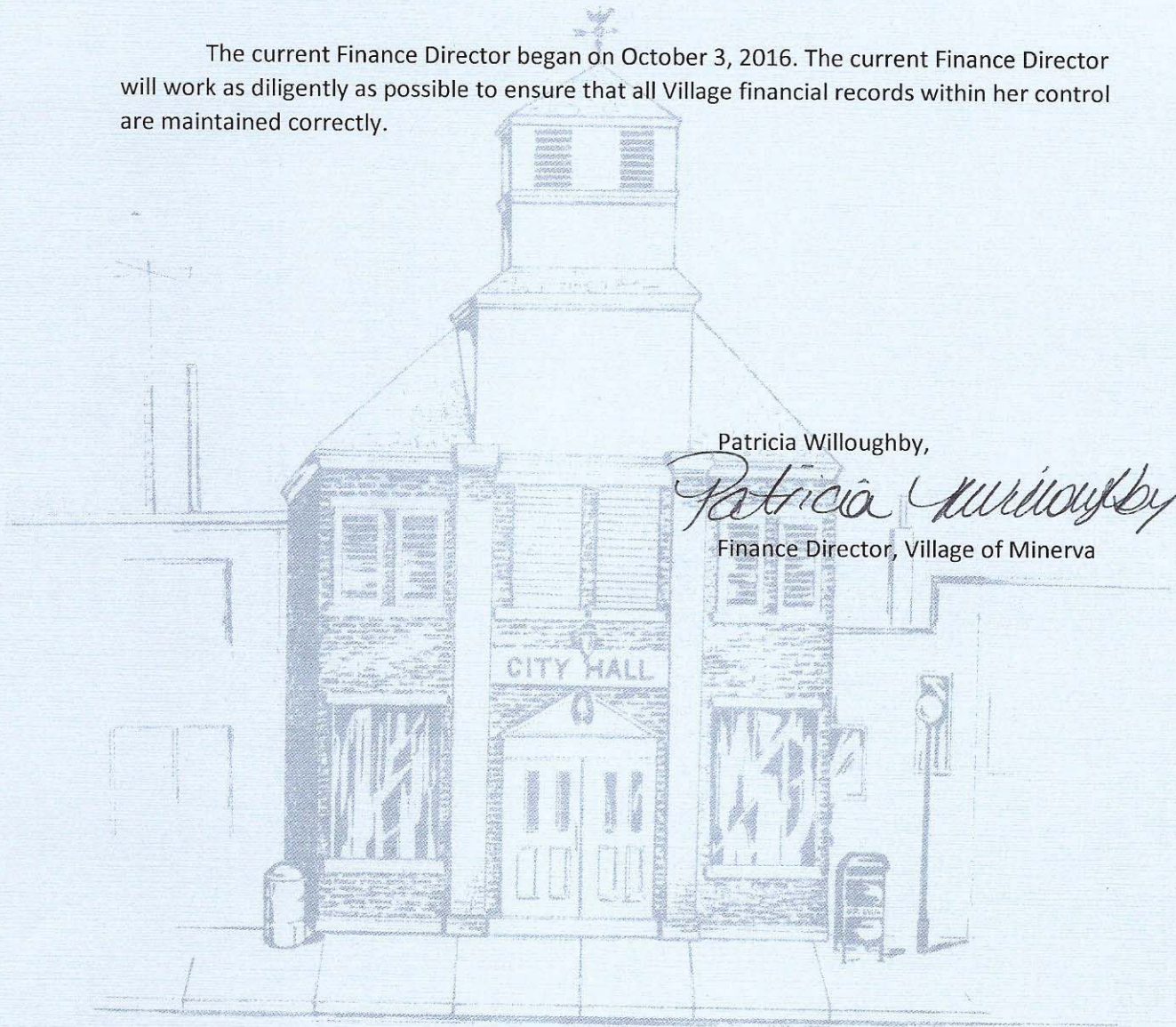
Minerva, Ohio 44657

The current Finance Director began on October 3, 2016. The current Finance Director will work as diligently as possible to ensure that all Village financial records within her control are maintained correctly.

Patricia Willoughby,



Finance Director, Village of Minerva



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**VILLAGE OF MINERVA
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Noncompliance: 5705.41(B) Expenditures plus encumbrances in excess of appropriations.	No	Not Corrected. Repeated as 2016-001
2015-002	Noncompliance: 5705.36 (A)(4) Appropriations in excess of actual revenue plus encumbrances.	Yes	
2015-003	Noncompliance & Material Weakness: Unresolved differences on the year-end bank to book reconciliation.	No	Not Corrected. Repeated as 2016-002
2015-004	Noncompliance & Material Weakness Village Charter: Financial Department is decentralized and financial reports submitted to Council	No	Not Corrected. Repeated as 2016-003
2015-005	Material Weakness: Accurate budgetary information within the Village's accounting system.	No	Not Corrected. Repeated as 2016-004
2015-006	Significant Deficiency: No formal accounting policy manual including narratives for all receipt/disbursement cycle, or cross-training of employees (for other jobs other than their own).	No	Not Corrected. Repeated as 2016-005

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Dave Yost • Auditor of State

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
DECEMBER 19, 2017