



**Auditor of State
Betty Montgomery**

VILLAGE OF MANTUA
PORTAGE COUNTY

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Mantua
Portage County
4736 East High Street
Mantua, Ohio 44255

To the Village Council:

We have audited the accompanying financial statements of the Village of Mantua (the Village) as of and for the years ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and December 31, 2001 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

May 1, 2003

**VILLAGE OF MANTUA
PORTAGE COUNTY**

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

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$59,063	\$19,983	\$0	\$0	\$0	\$79,046
Municipal Income Tax	556,311					556,311
Intergovernmental Receipts	134,514	68,302		60,886		263,702
Charges for Services	39,928	6,497		6,977		53,402
Fines, Licenses, and Permits	24,124					24,124
Earnings on Investments	57,192	6,070				63,262
Miscellaneous	11,670	1,083		4,866		17,619
Total Cash Receipts	882,802	101,935	0	72,729	0	1,057,466
Cash Disbursements:						
Current:						
Security of Persons and Property	421,095					421,095
Public Health Services		19,850				19,850
Leisure Time Activities	25,413			1,400		26,813
Community Environment	4,605					4,605
Transportation	6,957	125,259				132,216
General Government	248,198	20,220		328,022	4,553	600,993
Debt Service:						
Principal Payments			60,000			60,000
Interest Payments		7,992	14,293			22,285
Financing and Other Debt-Service Related						0
Capital Outlay					290	290
Total Cash Disbursements	706,268	173,321	74,293	329,422	4,843	1,288,147
Total Receipts Over/(Under) Disbursements	176,534	(71,386)	(74,293)	(256,693)	(4,843)	(230,681)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes		20,220				20,220
Other Financing Uses				(88)		(88)
Other Financing Sources	110		140		1,918	2,168
Transfers-In	3,849	55,000	67,240	85,437	5,000	216,526
Transfers-Out	(211,362)	(5,808)			0	(217,170)
Total Other Financing Receipts/(Disbursements)	(207,403)	69,412	67,380	85,349	6,918	21,656
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,869)	(1,974)	(6,913)	(171,344)	2,075	(209,025)
Fund Cash Balances, January 1, 2002	(15,004)	130,616	10,392	427,347	990	554,341
Fund Cash Balances, December 31, 2002	(\$45,873)	\$128,642	\$3,479	\$256,003	\$3,065	\$345,316
Reserves for Encumbrances, December 31, 2002	\$38,509	\$6,295	\$0	\$15,947	\$0	\$60,751

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

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

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$436,188	\$0	\$436,188
Fines, Licenses, and Permits	105		105
Miscellaneous	120		120
Total Operating Cash Receipts	436,413	0	436,413
Operating Cash Disbursements:			
Personal Services	106,518		106,518
Fringe Benefits	39,011		39,011
Contractual Services	59,254		59,254
Supplies and Materials	68,219		68,219
Other	114		114
Capital Outlay	532,592		532,592
Total Operating Cash Disbursements	805,708	0	805,708
Operating Income/(Loss)	(369,295)	0	(369,295)
Non-Operating Cash Receipts:			
Earnings on Investment	820	2,722	3,542
Intergovernmental Receipts	33,069	21,000	54,069
Proceeds from Notes and Bonds	601,517		601,517
Other Non-Operating Receipts	4,442		4,442
Total Non-Operating Cash Receipts	639,848	23,722	663,570
Non-Operating Cash Disbursements:			
Debt Service	341,412		341,412
Total Non-Operating Cash Disbursements	341,412	0	341,412
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(70,859)	23,722	(47,137)
Transfers-In	207,864		207,864
Transfers-Out	(207,220)		(207,220)
Net Receipts Over/(Under) Disbursements	(70,215)	23,722	(46,493)
Fund Cash Balances, January 1, 2002	538,534	44,479	583,013
Fund Cash Balances, December 31, 2002	\$468,319	\$68,201	\$536,520
Reserve for Encumbrances, December 31, 2002	\$100,636	\$0	\$100,636

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$57,676	\$19,959	\$0	\$0	\$0	\$77,635
Municipal Income Tax	527,912					527,912
Special Assessments						0
Intergovernmental Receipts	146,449	76,735		2,807		225,991
Charges for Services	38,765					38,765
Fines, Licenses, and Permits	21,788	5,162		7,366		34,316
Earnings on Investments	67,550					67,550
Miscellaneous	17,123	4,498		9,524		31,145
Total Cash Receipts	877,263	106,354	0	19,697	0	1,003,314
Cash Disbursements:						
Current:						
Security of Persons and Property	398,669	686				399,355
Public Health Services		25,420				25,420
Leisure Time Activities	32,085			925		33,010
Community Environment	4,662					4,662
Basic Utility Services						0
Transportation	13,405	172,026		62,554		247,985
General Government	252,329				109	252,438
Debt Service:						
Principal Payments			45,000			45,000
Interest Payments		2,270	46,670			48,940
Financing and Other Debt-Service Related						0
Capital Outlay		16,229			1,525	17,754
Total Cash Disbursements	701,150	216,631	91,670	63,479	1,634	1,074,564
Total Receipts Over/(Under) Disbursements	176,113	(110,277)	(91,670)	(43,782)	(1,634)	(71,250)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes		16,229	35,000			51,229
Other Financing Sources	60,683	843		10		61,536
Other Financing Uses	(50,000)					(50,000)
Transfers-In		81,621	55,298	82,168	2,000	221,087
Transfers-Out	(219,487)	(1,600)				(221,087)
Total Other Financing Receipts/(Disbursements)	(208,804)	97,093	90,298	82,178	2,000	62,765
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(32,691)	(13,184)	(1,372)	38,396	366	(8,485)
Fund Cash Balances, January 1, 2001	17,687	143,800	11,764	388,951	624	562,826
Fund Cash Balances, December 31, 2001	(\$15,004)	\$130,616	\$10,392	\$427,347	\$990	\$554,341
Reserves for Encumbrances, December 31, 2001	\$45,715	\$28,982	\$0	\$68,170	\$4,435	\$147,302

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating Cash Receipts:			
Charges for Services	\$750,097	\$0	\$750,097
Fines, Licenses and Permits	165		165
Miscellaneous	284	1,400	1,684
Total Operating Cash Receipts	750,546	1,400	751,946
Operating Cash Disbursements:			
Personal Services	97,948		97,948
Fringe Benefits	55,582		55,582
Contractual Services	81,674		81,674
Supplies and Materials	76,238	1,400	77,638
Other	4,388		4,388
Capital Outlay	881,341		881,341
Total Operating Cash Disbursements	1,197,171	1,400	1,198,571
Operating Income/(Loss)	(446,625)	0	(446,625)
Non-Operating Cash Receipts:			
Earnings on Investments		2,179	2,179
Intergovernmental Receipts	210,645		210,645
Proceeds from Notes and Bonds	562,704		562,704
Other Non-Operating Receipts	129,297		129,297
Total Non-Operating Cash Receipts	902,646	2,179	904,825
Non-Operating Cash Disbursements:			
Debt Service	166,145		166,145
Other Non-Operating Cash Disbursements	154,008		154,008
Total Non-Operating Cash Disbursements	320,153	0	320,153
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	135,868	2,179	138,047
Transfers-In	262,274		262,274
Transfers-Out	(262,274)		(262,274)
	0		0
Net Receipts Over/(Under) Disbursements	135,868	2,179	138,047
Fund Cash Balances, January 1, 2001	402,666	42,300	444,966
Fund Cash Balances, December 31, 2001	\$538,534	\$44,479	\$583,013
Reserve for Encumbrances, December 31, 2001	\$78,271	\$0	\$78,271

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Mantua, Portage County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police. The Village contracts with Mantua-Shalersville Fire District to provide fire protection and ambulance services. See Note 9.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Debt Fund: This fund is used to account for the payment of general long-term debt principal, interest, and related costs.

4. Capital Project Funds

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

Street Capital Improvement Fund- This fund receives income tax monies to be used for street capital improvement projects.

Park Capital Improvement Fund- This fund receives charges for services revenue to be used for park improvement projects.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Water Capital Improvement Fund- This fund receives charges for services to be used for water plant and related improvement projects.

Sewer Capital Improvement Fund - This fund receives loan proceeds and grants from the Ohio Water Development Authority and the Ohio Public Works Commission to finance the wastewater treatment plant construction.

6. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Village had the following significant fiduciary funds:

Cemetery Endowment Fund- This fund receives certificate of deposit interest to be used for cemetery related expenses.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Shady Tree Fund- This fund receives donations and transfers from the General Fund to be used for planting, maintenance, and relocation of public trees in the Village.

E. Budgetary Process

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

1. Appropriations

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

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 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2002	2001
Demand deposits	\$94,049	\$323,192
Certificates of deposit	787,787	814,162
Total deposits	881,836	1,137,354

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,200,442	\$886,761	(\$1,313,681)
Special Revenue	357,342	177,155	(180,187)
Debt Service	83,000	67,380	(15,620)
Capital Projects	796,706	158,166	(638,540)
Enterprise	6,066,443	1,284,125	(4,782,318)
Fiduciary	16,574	30,640	14,066
Total	\$9,520,507	\$2,604,227	(\$6,916,280)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,362,195	\$956,139	\$406,056
Special Revenue	364,082	185,424	178,658
Debt Service	89,163	74,293	14,870
Capital Projects	735,170	345,457	389,713
Enterprise	5,971,966	1,454,976	4,516,990
Fiduciary	12,935	4,843	8,092
Total	\$8,535,511	\$3,021,132	\$5,514,379

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,112,156	\$937,946	(\$174,210)
Special Revenue	574,673	205,047	(369,626)
Debt Service	52,323	90,298	37,975
Capital Projects	254,563	101,875	(152,688)
Enterprise	3,487,244	1,915,466	(1,571,778)
Fiduciary	12,849	5,579	(7,270)
Total	<u>\$5,493,808</u>	<u>\$3,256,211</u>	<u>(\$2,237,597)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,068,844	\$1,016,352	\$52,492
Special Revenue	448,559	247,213	201,346
Debt Service	94,500	91,670	2,830
Capital Projects	607,670	131,649	476,021
Enterprise	3,503,467	1,857,869	1,645,598
Fiduciary	13,000	7,469	5,531
Total	<u>\$5,736,040</u>	<u>\$3,352,222</u>	<u>\$2,383,818</u>

In 2001 and 2002 the Village made transfers contrary to Ohio law and did not comply with a Village Ordinance regarding the allocation of income tax collections. Therefore, contrary to Ohio law, the Village incurred a negative fund balance in the general fund for 2001 and 2002.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. LOCAL INCOME TAX

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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,193,900	2.00%
Ohio Water Development Authority Loan	69,489	3.20%
Ohio Water Development Authority Loan	5,849,132	3.78%
Ohio Water Development Authority Loan	101,890	8.35%
General Obligation Bonds	105,000	5.75%
Ohio Public Works Commission Loans	289,625	0.00%
Promissory Note- Cruiser	14,634	5.50%
Promissory Note- Cruiser	23,869	5.40%
Promissory Note- Backhoe	31,682	5.25%
Promissory Note- Dump Truck	52,576	5.00%
Total	\$7,731,797	

The Ohio Water Development Authority (OWDA) loans relate to water plant construction, Mill Street water project, waste-water treatment plant expansion project, and waste-water treatment plant improvements that were mandated by the Ohio Environmental Protection Agency. The OWDA approved a total of \$7,715,628 in loans to the Village for these projects. The water plant construction loan will be repaid in semiannual installments of \$46,471 for the water plant construction, including interest, over 20 years. The Mill Street loan will be repaid in semiannual installments of \$14,570, including interest, over 5 years. The waste-water treatment plant improvements loan will be repaid in semiannual installments of \$11,138, including interest, over 20 years. The scheduled payments noted below assume that \$5,849,132 will be borrowed for the completion of the waste-water treatment plant expansion project. The scheduled payments will be adjusted to reflect any revisions in amounts actually borrowed. The loans stated above are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Bonds are collateralized by the Village's taxing authority. The General Obligation Bonds were used for improvements to streets and the utility system.

The Ohio Public Works Commission Loans (OPWC) relates to projects on the water treatment plant and waste-water treatment plant expansion projects. The OPWC approved a total of 335,000 in loans for these projects. The scheduled payments below assume that this whole amount will be borrowed by the Village. The scheduled payments will be adjusted to reflect any revision in amounts actually borrowed. The loans will be collateralized by water and sewer receipts.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (continued)

The promissory notes are not collateralized. The promissory notes were used to purchase two police cruisers, a backhoe, and a dump truck.

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

Year ending December 31:	OWDA Loans	General Obligation Bonds	OPWC Loans	Promissary Note- Cruiser	Promissary Note- Cruiser	Promissary Note- Backhoe	Promissary Note- Dump Truck
2003	\$657,911	\$65,175	\$16,750	\$6,935	\$8,068	\$13,620	\$13,807
2004	646,856	46,293	16,750	6,935	8,068	13,620	13,807
2005	631,778		16,750	1,734	8,068	6,811	13,807
2006	595,606		16,750		2,017		13,807
2007	584,551		16,750				3,452
2008 -- 2012	2,667,834		83,750				
2013 -- 2017	2,369,186		83,750				
2018 -- 2022	1,628,107		38,375				
Total	<u>\$9,781,828</u>	<u>\$111,468</u>	<u>\$289,625</u>	<u>\$15,604</u>	<u>\$26,221</u>	<u>\$34,051</u>	<u>\$58,680</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT (continued)

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (“the Pool”), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements, and other expenses resulted for covered claims that exceed the member’s deductibles.

Casualty excess-of-loss contracts at December 31, 2001 and 2000 (the latest information available) generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued prior to April 1, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of coverage.

The Pool’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2001 and 2000.

	2001	2000
Cash and investments	\$3,354,251	\$2,958,827
Actuarial liabilities	(\$4,851,866)	(\$3,863,373)
Retained deficit	(\$1,497,615)	(\$904,546)

9. JOINTLY GOVERNED ORGANIZATION

Mantua-Shalersville Fire District (the District): The District provides fire and EMS services to its members. District members include the Village of Mantua, Mantua Township, and Shalersville Township. The District is governed by a three-member board consisting of one official from each member’s elected governing body. The District is solely funded by voter approved tax levies. No funding is received from District members.



**Auditor of State
Betty Montgomery**

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

Village of Mantua
Portage County
4736 East High Street
Mantua, Ohio 44255

To the Village Council:

We have audited the accompanying financial statements of the Village of Mantua (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated May 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported herein under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-31167-001 through 2002-31167-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 1, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 1, 2003

Village of Mantua
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

May 1, 2003

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Non-compliance Citations

FINDING NUMBER 2002-31167-001

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidance regarding the transfer of funds. No transfer can be made from one fund of a subdivision to any other fund unless the transfer complies with one of the exceptions stated in the above Ohio Revised Code Sections.

Contrary to the sections described above, the Village made the following transfers in 2001 and 2002.

Year	Fund Transferred From	Fund Transferred To	Amount Transferred
2001	Water Operating Enterprise Fund	General Fund	\$20,000
2002	Street Maintenance & Repair Special Revenue Fund	General Fund	\$5,000
2002	Cemetery Special Revenue Fund	General Fund	\$2,000
2002	New Administration Building Special Revenue Fund	General Fund	\$4,000
2002	Shade Tree Expendable Trust Fund	General Fund	\$3,000

The Village has adjusted the December 31, 2002 and December 31, 2001 fund balance to reflect the removal of these transfers.

The Village should ensure that all transfers are in accordance to the Ohio Revised Code before they are approved by Village Council and posted by the Village Clerk.

FINDING NUMBER 2002-31167-002

Village of Mantua Ordinance 1989-2 established the Street Capital Improvement Fund pursuant of Ohio Revised Code Section 5705.12 for the purpose of receiving and holding 15% of the annual income tax money received by the Village.

The Village did not post 15% of the total annual income tax receipts collected in 2001 and 2002 to the Street Capital Improvement Fund. The additional amount of tax receipts that should have been posted to the Street Capital Improvement Fund in 2001 and 2002 was \$4,074 and \$11,646. The Village has adjusted the financial statements to reflect a transfer for these amounts from the General Fund to the Street Capital Improvement Fund.

The Village should ensure that income tax is posted to the financial records of the Village as stated in the established Ordinances. Any modifications to the allocation of income tax receipts should be reviewed by and approved by the Village Council.

FINDING NUMBER 2002-31167-003

Ohio Rev. Code Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenditures of another fund.

Contrary to the section described above, the Village had a negative cash fund balance in the general fund as of December 31, 2002 of \$45,873 and as of December 31, 2001 of \$15,004. This non-compliance issue is a result of audit adjustments posted by the Village as a result of findings 1001-31167-001 and 1001-31167-002.

The Village should review the current financial status of the general fund. The Village should review the revenue sources collected in the general fund in comparison to the expenditures incurred in order to maintain the general services of the Village.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-31167-001	Ohio Rev. Code Sections 5705.36 (A)(2), 5705.39, & 5705.41(B) —The Village did not budget for OPWC activity	No	Management Letter Citation will be issued for Auditor of State Bulletin 2002-004
2000-31167-002	Ohio Rev. Code Section 5705.36(A)(2) —The Village did not amend estimated resources	No	Management Letter Citation will be issued
2000-31167-003	Ohio Rev. Code Section 5705.41(B) —Expenditures exceeded appropriations	No	Management Letter Citation will be issued
2000-31167-004	Ohio Rev. Code Section 5705.41(D) and 5705.41(B) —Expenditures plus year-end encumbrances exceeded appropriations	No	Same as 003 above.
2000-31167-005	Monthly reconciliations were not being completed.	Yes	N/A
2000-31167-006	Financial reports contained undetected errors	No	Findings for adjustments stated in 2002-31167-001 and 2002-31167-002.



**Auditor of State
Betty Montgomery**

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VILLAGE OF MANTUA

PORTAGE 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
JUNE 17, 2003**