



**Auditor of State
Betty Montgomery**

VILLAGE OF MANTUA
PORTAGE COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

March 29, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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, Portage County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Village of Mantua, Portage County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

March 29, 2006

**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, 2004**

| | 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 | \$58,260 | \$17,651 | \$0 | | \$0 | \$75,911 |
| Municipal Income Tax | 629,066 | | | | | 629,066 |
| Intergovernmental Receipts | 132,304 | 85,345 | | \$114,422 | | 332,071 |
| Charges for Services | 52,930 | 3,187 | | 7,164 | | 63,281 |
| Fines, Licenses, and Permits | 18,704 | | | | | 18,704 |
| Earnings on Investments | 19,150 | | | | | 19,150 |
| Miscellaneous | 3,066 | 160 | | 383 | | 3,609 |
| Total Cash Receipts | 913,480 | 106,343 | 0 | 121,969 | 0 | 1,141,792 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 476,743 | | | | | 476,743 |
| Public Health Services | | 22,148 | | | | 22,148 |
| Leisure Time Activities | 31,736 | | | 1,625 | | 33,361 |
| Community Environment | 5,971 | | | | 15 | 5,986 |
| Transportation | 6,402 | 133,249 | | | | 139,651 |
| General Government | 203,086 | | | | | 203,086 |
| Debt Service: | | | | | | |
| Principal Payments | 13,893 | 8,270 | 45,000 | | | 67,163 |
| Interest Payments | 1,110 | 873 | 1,294 | | | 3,277 |
| Financing and Other Debt-Service Related | | | | | | 0 |
| Capital Outlay | | 13,000 | | 414,411 | | 427,411 |
| Total Cash Disbursements | 738,941 | 177,540 | 46,294 | 416,036 | 15 | 1,378,826 |
| Total Receipts Over/(Under) Disbursements | 174,539 | (71,197) | (46,294) | (294,067) | (15) | (237,034) |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Sale of Bonds or Notes | | | | 400,000 | | 400,000 |
| Transfers-In | | 70,700 | 46,294 | 16,486 | | 133,480 |
| Transfers-Out | (133,479) | | | | | (133,479) |
| Advances-Out | (37,000) | | | | | (37,000) |
| Other Financing Uses | (455) | | | | | (455) |
| Total Other Financing Receipts/(Disbursements) | (170,934) | 70,700 | 46,294 | 416,486 | 0 | 362,546 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 3,605 | (497) | 0 | 122,419 | (15) | 125,512 |
| Fund Cash Balances, January 1 | (26,732) | 137,555 | (20,815) | 285,796 | 5,759 | 381,563 |
| Fund Cash Balances, December 31 | (\$23,127) | \$137,058 | (\$20,815) | \$408,215 | \$5,744 | \$507,075 |
| Reserves for Encumbrances, December 31 | \$38,929 | \$6,846 | \$0 | \$22,295 | \$0 | \$68,070 |

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, 2004**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$790,223 | \$0 | \$790,223 |
| Fines, Licenses and Permits | 5,023 | | 5,023 |
| Miscellaneous | 5,360 | | 5,360 |
| Total Operating Cash Receipts | 800,606 | 0 | 800,606 |
| Operating Cash Disbursements: | | | |
| Personal Services | 121,987 | | 121,987 |
| Fringe Benefits | 53,226 | | 53,226 |
| Contractual Services | 74,821 | 13,813 | 88,634 |
| Supplies and Materials | 64,190 | | 64,190 |
| Capital Outlay | 1,191,748 | | 1,191,748 |
| Total Operating Cash Disbursements | 1,505,972 | 13,813 | 1,519,785 |
| Operating Income/(Loss) | (705,366) | (13,813) | (719,179) |
| Non-Operating Cash Receipts: | | | |
| Earnings on Investments | 2,496 | 2,322 | 4,818 |
| Proceeds from Notes | 1,156,881 | | 1,156,881 |
| Miscellaneous Receipts | 1,253 | | 1,253 |
| Other Non-Operating Receipts | 100 | | 100 |
| Total Non-Operating Cash Receipts | 1,160,730 | 2,322 | 1,163,052 |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | 620,529 | | 620,529 |
| Interest and Fiscal Charges | 115,442 | | 115,442 |
| Total Non-Operating Cash Disbursements | 735,971 | 0 | 735,971 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (280,607) | (11,491) | (292,098) |
| Advances-In | 227,000 | | 227,000 |
| Advances-Out | (190,000) | | (190,000) |
| Net Receipts Over/(Under) Disbursements | (243,607) | (11,491) | (255,098) |
| Fund Cash Balances, January 1 | 416,305 | 70,438 | 486,743 |
| Fund Cash Balances, December 31 | \$172,698 | \$58,947 | \$231,645 |
| Reserve for Encumbrances, December 31 | \$71,343 | \$800 | \$72,143 |

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, 2003**

| | 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 | \$50,461 | \$24,644 | \$0 | | \$0 | \$75,105 |
| Municipal Income Tax | 524,616 | | | \$89,769 | | 614,385 |
| Intergovernmental Receipts | 137,291 | 81,087 | | 89,114 | | 307,492 |
| Charges for Services | 36,791 | 5,077 | | 5,636 | | 47,504 |
| Fines, Licenses, and Permits | 21,612 | | | | | 21,612 |
| Earnings on Investments | 33,187 | | | | | 33,187 |
| Miscellaneous | 9,654 | 13,071 | | 1,509 | | 24,234 |
| Total Cash Receipts | 813,612 | 123,879 | 0 | 186,028 | 0 | 1,123,519 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Security of Persons and Property | 431,310 | | 2,999 | | | 434,309 |
| Public Health Services | | 18,940 | | | | 18,940 |
| Leisure Time Activities | 28,516 | | | 2,000 | | 30,516 |
| Community Environment | 6,226 | | | | 2,840 | 9,066 |
| Transportation | 6,396 | 123,612 | | | | 130,008 |
| General Government | 216,882 | | | 9,704 | | 226,586 |
| Debt Service: | | | | | | |
| Principal Payments | 13,150 | 7,854 | 60,000 | | | 81,004 |
| Interest Payments | 1,853 | 1,288 | 5,175 | | | 8,316 |
| Capital Outlay | | | | 163,671 | | 163,671 |
| Total Cash Disbursements | 704,333 | 151,694 | 68,174 | 175,375 | 2,840 | 1,102,416 |
| Total Receipts Over/(Under) Disbursements | 109,279 | (27,815) | (68,174) | 10,653 | (2,840) | 21,103 |
| Other Financing Receipts and (Disbursements): | | | | | | |
| Sale of Bonds or Notes | | | | 13,599 | | 13,599 |
| Transfers-In | | 41,500 | 43,881 | | 5,000 | 90,381 |
| Advances-In | 26,000 | | | 171,900 | | 197,900 |
| Transfers-Out | (90,381) | | | | | (90,381) |
| Advances-Out | (26,000) | | | (171,900) | | (197,900) |
| Other Financing Sources | 245 | 769 | | | 534 | 1,548 |
| Other Financing Uses | (2) | | | | | (2) |
| Total Other Financing Receipts/(Disbursements) | (90,138) | 42,269 | 43,881 | 13,599 | 5,534 | 15,145 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 19,141 | 14,454 | (24,293) | 24,252 | 2,694 | 36,248 |
| Fund Cash Balances, January 1 (See Restatement Note # 10) | (45,873) | 123,101 | 3,478 | 261,544 | 3,065 | 345,315 |
| Fund Cash Balances, December 31 | (\$26,732) | \$137,555 | (\$20,815) | \$285,796 | \$5,759 | \$381,563 |
| Reserves for Encumbrances, December 31 | \$39,023 | \$3,629 | \$0 | \$32,342 | \$0 | \$74,994 |

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, 2003**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals (Memorandum Only) |
|--|---------------------------|-------------------------|--------------------------------|
| | Enterprise | Nonexpendable Trust | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$483,729 | \$0 | \$483,729 |
| Fines, Licenses and Permits | \$322 | | 322 |
| Total Operating Cash Receipts | <u>484,051</u> | <u>0</u> | <u>484,051</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 118,396 | | 118,396 |
| Fringe Benefits | 46,680 | | 46,680 |
| Contractual Services | 83,462 | | 83,462 |
| Supplies and Materials | 58,312 | | 58,312 |
| Capital Outlay | 736,549 | | 736,549 |
| Total Operating Cash Disbursements | <u>1,043,399</u> | <u>0</u> | <u>1,043,399</u> |
| Operating Income/(Loss) | <u>(559,348)</u> | <u>0</u> | <u>(559,348)</u> |
| Non-Operating Cash Receipts: | | | |
| Earnings on Investments | 2,978 | 2,238 | 5,216 |
| Proceeds from Notes | 755,797 | | 755,797 |
| Miscellaneous Receipts | 1,818 | | 1,818 |
| Other Non-Operating Receipts | 4,185 | | 4,185 |
| Total Non-Operating Cash Receipts | <u>764,778</u> | <u>2,238</u> | <u>767,016</u> |
| Non-Operating Cash Disbursements: | | | |
| Redemption of Principal | 217,639 | | 217,639 |
| Interest and Fiscal Charges | 39,805 | | 39,805 |
| Total Non-Operating Cash Disbursements | <u>257,444</u> | <u>0</u> | <u>257,444</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (52,014) | 2,238 | (49,776) |
| Advances-In | | 25,000 | 25,000 |
| Advances-Out | | (25,000) | (25,000) |
| Net Receipts Over/(Under) Disbursements | (52,014) | 2,238 | (49,776) |
| Fund Cash Balances, January 1 | <u>468,319</u> | <u>68,200</u> | <u>536,519</u> |
| Fund Cash Balances, December 31 | <u>\$416,305</u> | <u>\$70,438</u> | <u>\$486,743</u> |
| Reserve for Encumbrances, December 31 | <u>\$438,548</u> | <u>\$0</u> | <u>\$438,548</u> |

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, 2004 AND 2003**

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'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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and savings accounts 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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, 2004 AND 2003
(Continued)

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

3. **Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

General Obligation Bond 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 account for receipts restricted to acquiring or constructing 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 and OPWC monies to be used for street capital improvement projects.

New Administrative Building Fund - This fund receives income tax monies and note proceeds to be used for the rehabilitation of a new administrative building for the Village.

5. **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 the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility, and received OWDA monies to be used for sewer capital improvement projects.

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.

7. **Fiduciary Funds (Trust Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable.

VILLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

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

The Village had the following significant fiduciary fund:

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

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, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

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 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | 2004 | 2003 |
|-------------------------|-----------|-----------|
| Demand deposits | \$0 | \$64,064 |
| Certificates of deposit | 413,202 | 400,839 |
| Time Deposits | 325,518 | 403,403 |
| Total deposit | \$738,720 | \$868,306 |

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

3. BUDGETARY ACTIVITY

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

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,001,889 | \$913,480 | (\$88,409) |
| Special Revenue | 608,510 | 177,043 | (431,467) |
| Debt Service | 103,689 | 46,294 | (57,395) |
| Capital Projects | 307,500 | 538,455 | 230,955 |
| Enterprise | 2,088,107 | 1,961,336 | (126,771) |
| Fiduciary | 6,965 | 2,322 | (4,643) |
| Total | \$4,116,660 | \$3,638,930 | (\$477,730) |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$916,106 | \$911,804 | \$4,302 |
| Special Revenue | 309,842 | 184,386 | 125,456 |
| Debt Service | 46,773 | 46,294 | 479 |
| Capital Projects | 899,350 | 438,331 | 461,019 |
| Enterprise | 1,774,729 | 2,313,286 | (538,557) |
| Fiduciary | 60,600 | 14,628 | 45,972 |
| Total | \$4,007,400 | \$3,908,729 | \$98,671 |

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

| 2003 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|---------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$1,020,880 | \$813,857 | (\$207,023) |
| Special Revenue | 289,686 | 166,148 | (123,538) |
| Debt Service | 121,550 | 43,881 | (77,669) |
| Capital Projects | 256,545 | 199,627 | (56,918) |
| Enterprise | 3,305,094 | 1,248,829 | (2,056,265) |
| Fiduciary | 30,048 | 7,772 | (22,276) |
| Total | \$5,023,803 | \$2,480,114 | (\$2,543,689) |

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,000,000 | \$833,735 | \$166,265 |
| Special Revenue | 359,437 | 155,323 | 204,114 |
| Debt Service | 125,068 | 68,174 | 56,894 |
| Capital Projects | 382,000 | 207,717 | 174,283 |
| Enterprise | 2,008,863 | 1,739,391 | 269,472 |
| Fiduciary | 50,750 | 2,840 | 47,910 |
| Total | \$3,926,118 | \$3,007,180 | \$918,938 |

For 2004, the above note shows that the Enterprise funds had expenditures greater than the appropriation authority. This is the result of adjustments that were made to the 2004 financial statements to reclassify funds in and out of the Enterprise fund total and also to bring on \$628,241 of capital outlay expenditures for the Village's Wastewater Treatment Plant expansion project that were paid by the Ohio Water Development Authority (OWDA) to the project's contractors on-behalf of the Village. The Village did not record or budget for the OWDA on-behalf payments to contractors. This weakness is noted in Finding 2004-001 in the Schedule of Findings as a reportable condition.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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, 2004 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------------------------|---------------------------|----------------------|
| Ohio Water Development Authority Loan | \$1,036,647 | 2.00% |
| Ohio Water Development Authority Loan | 14,341 | 3.20% |
| Ohio Water Development Authority Loan | 5,073,270 | 0.68% |
| Ohio Water Development Authority Loan | 73,207 | 8.35% |
| Ohio Water Development Authority Loan | 458,447 | 3.03% |
| General Obligation Bonds | 400,000 | 5.75% |
| Ohio Public Works Commission Loan | 150,000 | 0.00% |
| Ohio Public Works Commission Loan | 120,500 | 0.00% |
| Promissory Note - Cruiser | 1,686 | 5.50% |
| Promissory Note - Cruiser | 9,683 | 5.40% |
| Promissory Note - Backhoe | 6,632 | 5.25% |
| Promissory Note - Dump Truck | 29,212 | 5.00% |
| Total | <u><u>\$7,373,625</u></u> | |

The Ohio Water Development Authority (OWDA) loans relate to water plant construction, Mill Street water project, waste-water treatment plant expansion project, waste-water treatment plant improvements and Waterline Loops and reservoir Pump Station that were mandated by the Ohio Environmental Protection Agency. The OWDA approved a total of \$8,331,731 in loans to the Village for these projects. The Village will repay the plant construction loan in semiannual payment totaling \$91,348 each year, including interest, over 13 years. The Village will repay the Mill Street water project loan in semiannual payment totaling \$14,570 each year, including interest, over 1 year. The Village will repay the waste-water treatment plant expansion project loan in semiannual payment totaling \$317,055 each year, including interest, over 18 years. The Village will repay the waste-water treatment plant improvements loan in semiannual payment totaling \$22,275 each year, including interest, over 4 years. The Village will repay the Waterline Loops and reservoir Pump Station loan in semiannual payment totaling \$36,490 each year, including interest, over 20 years. The scheduled payment amount below assumes that \$5,919,412 will be borrowed for the wastewater treatment plant expansion project. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. 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 will be used for the refurbishing of the New Administration Building.

The Ohio Public Works Commission Loans (OPWC) relate 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 which are collateralized by the Village.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(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 | OWDA | General Obligation | OPWC | Promissory Note | Promissory Note | Promissory Note | Promissory Note |
|--------------|--------------------|-----------------------|------------------|--------------------|--------------------|--------------------|--------------------|
| December 31: | Loans | Bonds | Loans | Cruiser | Cruiser | Backhoe | Dump Truck |
| 2005 | \$481,738 | \$25,725 | \$16,750 | \$8,068 | \$1,710 | \$6,765 | \$13,807 |
| 2006 | 467,168 | 26,490 | 16,750 | 1,990 | | | 13,807 |
| 2007 | 467,168 | 29,895 | 16,750 | | | | 3,409 |
| 2008 | 467,167 | 30,300 | 16,750 | | | | |
| 2009 | 444,893 | 29,662 | 16,750 | | | | |
| 2010 - 2114 | 2,224,465 | 150,942 | 83,750 | | | | |
| 2115 - 2119 | 2,041,769 | 151,500 | 65,500 | | | | |
| 2020 - 2024 | 1,114,565 | 150,510 | 37,500 | | | | |
| Total | <u>\$7,708,933</u> | <u>\$595,024</u> | <u>\$270,500</u> | <u>\$10,058</u> | <u>\$1,710</u> | <u>\$6,765</u> | <u>\$31,023</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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK MANAGEMENT – (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

| | 2004 | 2003 |
|-----------------|--------------------|--------------------|
| Assets | \$6,685,522 | \$5,402,167 |
| Liabilities | <u>2,227,808</u> | <u>1,871,123</u> |
| Members' Equity | <u>\$4,457,714</u> | <u>\$3,531,044</u> |

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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

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'.

10. Prior Period Adjustments

The 2002 financial statements of the Village reflected the 'New Administrative Building Fund' as a Special Revenue fund. However, it has been determined that the proper presentation of the New Administrative Building Fund should be a Capital Projects fund. As such, the adjustment below was made to move the fund balance at January 1, 2002, from the special revenue fund type to the capital projects fund type.

| | Special Revenue | Capital Projects |
|---|-----------------|------------------|
| Fund Cash Balances, January 1, 2003 | \$128,642 | \$256,003 |
| New Administrative Building Fund Cash Balance | <u>(5,541)</u> | <u>5,541</u> |
| Adjusted Fund Cash Balances, January 1, 2003 | \$123,101 | \$261,544 |



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the Village of Mantua, Portage County, (the Village) as of and for the years ended December 31 2004 and 2003, and have issued our report thereon dated March 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated March 29, 2006, we also reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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, providing an opinion 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 did not disclose any instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated March 29, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and council. It is not intended for 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

March 29, 2006

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Reportable Condition

The Village received various on-behalf grants from the Ohio Water Development Association (OWDA) for water and sewer project purposes. On-behalf grants represent monies in which the State makes payments to the contractor(s) for its share based on invoices submitted by the Village. The State will then notify the Village's Clerk-Treasurer of the amount disbursed. The on-behalf grant amounts were not budgeted, as estimated resources or as appropriations, nor were they posted as revenue and expenditures on the Village's records.

The Village Clerk did not post all benefits received from OWDA disbursing monies on its behalf. We noted the following OWDA payments made on behalf of the Village which were not properly posted to the accounting system during the audit period.

In Calendar 2003, the following took place:

- \$575,812 needed to be added to the capital outlay expenditure line item and \$324,826 needed to be added to the sale of notes line item in Fund 5702 - Enterprise Improvement fund.
- \$36,679 needed to be added to the sale of notes line item in Fund 5703 - Enterprise Franklin Street Water Distribution fund.

In Calendar 2004, the following took place:

- \$662,162 needed to be added to the capital outlay expenditure line item and \$35,340 needed to be added to the sale of notes line item in Fund 5702 - Enterprise Improvement fund.
- \$385,351 needed to be added to capital outlay and \$365,180 needed to be added to sale of notes in Fund 5703 - Enterprise Franklin Street Water Distribution fund.

The Village Clerk was not aware that such grants had to be accounted for in this manner. All audit adjustment postings were made with the permission of the Village. The financial statements have been adjusted to reflect the above stated adjustments.

We recommend the Village Clerk refer to the Village Handbook for the proper coding for each source of revenue and disbursement received. In addition, they should utilize the guidance from Audit Bulletin 2002-004 for guidance on proper accounting for Projects in the future.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2002-31167-001 | ORC Sections 5705.14, 5705.15 and 5705.16 Transfer of Funds | No | Not corrected, repeated as a management letter comment |
| 2002-31167-002 | Ordinance 1989-2 Street Capital Improvement Fund to receive Income Tax allocation | No | Not corrected, repeated as a management letter comment |
| 2002-31167-003 | ORC 5705.10 – Negative Fund Cash Balances | No | Not corrected, repeated as management letter comment |



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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
MAY 4, 2006**