



Dave Yost • Auditor of State

VILLAGE OF MANTUA
PORTAGE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Mantua
Portage County
4650 West High Street
Mantua, Ohio 44255

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mantua, Portage County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, thereof for the years 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 Mantua, Portage County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Mantua adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2013, 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.



Dave Yost
Auditor of State

Columbus, Ohio

September 3, 2013

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$13,519	\$16,737	\$43,895		\$0	\$74,151
Municipal Income Tax	505,680					505,680
Intergovernmental	78,245	129,985				208,230
Charges for Services	89,180	8,508		\$16,305		113,993
Fines, Licenses and Permits	29,682					29,682
Earnings on Investments	1,488	291		503		2,282
Miscellaneous		13,850		33,298		47,148
<i>Total Cash Receipts</i>	<u>717,794</u>	<u>169,371</u>	<u>43,895</u>	<u>50,106</u>	<u>0</u>	<u>981,166</u>
Cash Disbursements						
Current:						
Security of Persons and Property	418,315	119		1,853		420,287
Public Health Services		81,422				81,422
Leisure Time Activities	26,406					26,406
Community Environment	6,231					6,231
Transportation	15,093	164,646				179,739
General Government	182,635					182,635
Capital Outlay		2,000		30,085		32,085
Debt Service:						
Principal Retirement		896	23,000			23,896
Interest and Fiscal Charges		11	20,895			20,906
<i>Total Cash Disbursements</i>	<u>648,680</u>	<u>249,094</u>	<u>43,895</u>	<u>31,938</u>	<u>0</u>	<u>973,607</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>69,114</u>	<u>(79,723)</u>	<u>0</u>	<u>18,168</u>	<u>0</u>	<u>7,559</u>
Other Financing Receipts (Disbursements)						
Advances In	16,009	2,000				18,009
Advances Out	(2,000)	(3,666)				(5,666)
Other Financing Sources	8,130	79,516				87,646
<i>Total Other Financing Receipts (Disbursements)</i>	<u>22,139</u>	<u>77,850</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>99,989</u>
Special Item	1,256					1,256
<i>Net Change in Fund Cash Balances</i>	<u>92,509</u>	<u>(1,873)</u>	<u>0</u>	<u>18,168</u>	<u>0</u>	<u>108,804</u>
<i>Fund Cash Balances, January 1 - (See Note 2)</i>	<u>32,559</u>	<u>90,090</u>	<u>123</u>	<u>54,498</u>	<u>33,834</u>	<u>211,104</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	33,834	33,834
Restricted	0	88,217	0	72,666	0	160,883
Assigned	0	0	123	0	0	123
Unassigned (Deficit)	125,068	0	0	0	0	125,068
<i>Fund Cash Balances, December 31</i>	<u>\$125,068</u>	<u>\$88,217</u>	<u>\$123</u>	<u>\$72,666</u>	<u>\$33,834</u>	<u>\$319,908</u>

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$752,130	\$0	\$752,130
Special Assessments	9,460		9,460
Miscellaneous	7,281		7,281
<i>Total Operating Cash Receipts</i>	<u>768,871</u>	<u>0</u>	<u>768,871</u>
Operating Cash Disbursements			
Personal Services	104,603		104,603
Employee Fringe Benefits	37,435		37,435
Contractual Services	91,359	15	91,374
Supplies and Materials	6,635		6,635
Other	51,693		51,693
<i>Total Operating Cash Disbursements</i>	<u>291,725</u>	<u>15</u>	<u>291,740</u>
<i>Operating Income (Loss)</i>	<u>477,146</u>	<u>(15)</u>	<u>477,131</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(43,729)	(70)	(43,799)
Principal Retirement	(410,294)		(410,294)
Interest and Other Fiscal Charges	(42,774)		(42,774)
Other Financing Sources	46,140		46,140
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(450,657)</u>	<u>(70)</u>	<u>(450,727)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	26,489	(85)	26,404
Transfers In	440,699		440,699
Transfers Out	(440,699)		(440,699)
Advances Out	(12,343)		(12,343)
<i>Net Change in Fund Cash Balances</i>	14,146	(85)	14,061
<i>Fund Cash Balances, January 1</i>	<u>48,825</u>	<u>4,902</u>	<u>53,727</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$62,971</u></u>	<u><u>\$4,817</u></u>	<u><u>\$67,788</u></u>

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$12,661	\$16,200	\$42,793		\$0	\$71,654
Municipal Income Tax	444,601					444,601
Intergovernmental	112,326	126,853		\$14,475		253,654
Charges for Services	76,569	7,237		16,220		100,026
Fines, Licenses and Permits	30,430					30,430
Earnings on Investments	2,067	1,321		1,706		5,094
Miscellaneous				1,802		1,802
<i>Total Cash Receipts</i>	<u>678,654</u>	<u>151,611</u>	<u>42,793</u>	<u>34,203</u>	<u>0</u>	<u>907,261</u>
Cash Disbursements						
Current:						
Security of Persons and Property	407,154					407,154
Public Health Services		10,729				10,729
Leisure Time Activities	20,814			3,315		24,129
Community Environment	5,723					5,723
Transportation	13,554	173,720				187,274
General Government	199,134					199,134
Capital Outlay		2,937		20,506	1,500	24,943
Debt Service:						
Principal Retirement	17,307	3,469	21,000			41,776
Interest and Fiscal Charges	524	156	21,793			22,473
<i>Total Cash Disbursements</i>	<u>664,210</u>	<u>191,011</u>	<u>42,793</u>	<u>23,821</u>	<u>1,500</u>	<u>923,335</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,444</u>	<u>(39,400)</u>	<u>0</u>	<u>10,382</u>	<u>(1,500)</u>	<u>(16,074)</u>
Other Financing Receipts (Disbursements)						
Advances In	23,861	8,000				31,861
Advances Out	(8,000)	(14,690)		(3,000)		(25,690)
Other Financing Sources	487	14,739		2,420		17,646
Other Financing Uses	(171)					(171)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>16,177</u>	<u>8,049</u>	<u>0</u>	<u>(580)</u>	<u>0</u>	<u>23,646</u>
<i>Net Change in Fund Cash Balances</i>	<u>30,621</u>	<u>(31,351)</u>	<u>0</u>	<u>9,802</u>	<u>(1,500)</u>	<u>7,572</u>
<i>Fund Cash Balances, January 1</i>	<u>1,938</u>	<u>121,441</u>	<u>123</u>	<u>38,655</u>	<u>41,375</u>	<u>203,532</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	33,834	33,834
Restricted	0	90,090	123	48,457	6,041	144,711
Assigned	140	0	0	0	0	140
Unassigned (Deficit)	32,419	0	0	0	0	32,419
<i>Fund Cash Balances, December 31</i>	<u>\$32,559</u>	<u>\$90,090</u>	<u>\$123</u>	<u>\$48,457</u>	<u>\$39,875</u>	<u>\$211,104</u>

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$744,821	\$0	\$744,821
Special Assessments	10,515		10,515
Miscellaneous	11,252		11,252
<i>Total Operating Cash Receipts</i>	<u>766,588</u>	<u>0</u>	<u>766,588</u>
Operating Cash Disbursements			
Personal Services	87,447		87,447
Employee Fringe Benefits	31,665		31,665
Contractual Services	90,478	30	90,508
Supplies and Materials	6,087		6,087
Other	40,753		40,753
<i>Total Operating Cash Disbursements</i>	<u>256,430</u>	<u>30</u>	<u>256,460</u>
<i>Operating Income (Loss)</i>	<u>510,158</u>	<u>(30)</u>	<u>510,128</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(31,826)		(31,826)
Principal Retirement	(410,962)		(410,962)
Interest and Other Fiscal Charges	(47,540)		(47,540)
Other Financing Sources	23,785		23,785
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(466,543)</u>	<u>0</u>	<u>(466,543)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	43,615	(30)	43,585
Transfers In	341,759		341,759
Transfers Out	(341,759)		(341,759)
Advances Out	(6,171)		(6,171)
<i>Net Change in Fund Cash Balances</i>	37,444	(30)	37,414
<i>Fund Cash Balances, January 1</i>	<u>11,381</u>	<u>4,932</u>	<u>16,313</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$48,825</u></u>	<u><u>\$4,902</u></u>	<u><u>\$53,727</u></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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Mantua, Portage County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with Mantua-Shalersville Fire District to receive fire protection services.

The Village participates in one jointly governed organizations and one public entity risk pool. These organizations are:

Jointly Governed Organizations:

The Village participates in one jointly governed organization. Note 10 to the financial statements provides' additional information about this entity. The Village is a member of the Mantua-Shalersville Fire District, which provides for fire protection and EMS services to Village residents

Public Entity Risk Pool:

The Village 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. Note 9 to the financial statement provides additional information about this entity.

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

B. Accounting Basis

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. 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 Auditor of State prescribes or permits.

C. 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.

The Village values certificates of deposit at cost.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Funds:

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

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

General Obligation Bond Retirement Fund – This fund is used to account for all general obligation bond retirement, including bond principal, interest and related costs.

4. 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:

Police Capital Improvement Fund – This fund receives proceeds from a contract for dispatch services to other communities. The proceeds are used to purchase equipment for the police department.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

Park Trust Fund – This fund receives accumulated interest and is expended on park improvement activities

6. 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.

Water Debt Service Fund - This fund receives monthly transfers from the Water Operating Fund to meet the Debt Service requirements related to water operations.

Sewer Debt Service Fund - This fund receives monthly transfers from the Sewer Operating Fund to meet the Debt Service requirements related to sewer operations.

7. 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.

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 governments. The Village's agency fund accounts for the Shade Tree Commission.

VILLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. 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 Village follows GASB 54 and fund balance classifications are as follows:

1. Nonspendable

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

2. 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.

VILLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

3. **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.

4. **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.

5. **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.

G. 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.

H. 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, 2012 AND 2011
(Continued)**

2. Restatement of Fund Balances at January 1, 2012

The Village had been improperly posting interest revenue from their Park Trust certificates of deposit to the Park Trust Fund instead of to the Park Improvement Fund. The Park Trust Fund is classified as a Permanent Improvement Fund type and the Park Improvement Fund is classified as a Capital Projects Fund type. As a result, in order to move the amount of accumulated interest earned, the following fund balance adjustment was made on the 2012 financial statements:

	Fund Balance at January 1, 2012	Adjustment	Adjusted Fund Balance at January 1, 2012
Permanent Fund	39,875	(6,041)	33,834
Capital Projects	48,457	6,041	54,498

3. Equity in Pooled Deposits and Investments

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$353,862	\$217,349
Certificates of deposit	33,834	47,482
Total deposits	<u>387,696</u>	<u>264,831</u>

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$709,953	\$725,924	\$15,971
Special Revenue	349,798	248,887	(100,911)
Debt Service	44,018	43,895	(123)
Capital Projects	65,457	50,106	(15,351)
Enterprise	1,293,802	1,255,710	(38,092)
Permanent	6,041	0	(6,041)
Fiduciary	4,901	0	(4,901)
Total	\$2,473,970	\$2,324,522	(\$149,448)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$696,145	\$648,680	\$47,465
Special Revenue	262,450	249,094	13,356
Debt Service	43,895	43,895	0
Capital Projects	48,000	31,938	16,062
Enterprise	1,258,149	1,229,221	28,928
Permanent	1,000	0	1,000
Fiduciary	205	85	120
Total	\$2,309,844	\$2,202,913	\$106,931

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$698,605	\$679,141	(\$19,464)
Special Revenue	268,900	166,350	(102,550)
Debt Service	44,018	42,793	(1,225)
Capital Projects	84,143	36,623	(47,520)
Enterprise	1,116,070	1,132,123	16,053
Permanent	9,141	0	(9,141)
Fiduciary	4,995	0	(4,995)
Total	\$2,225,872	\$2,057,030	(\$168,842)

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$693,692	\$648,680	\$45,012
Special Revenue	220,680	191,011	29,669
Debt Service	42,793	42,793	0
Capital Projects	39,840	23,821	16,019
Enterprise	1,113,032	1,088,517	24,515
Permanent	1,500	1,500	0
Fiduciary	255	30	225
Total	\$2,111,792	\$1,996,352	\$115,440

5. Property Tax

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.

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.

6. 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.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$3,742,555	0.68 to 3.03%
General Obligation Bonds	\$462,000	4.40 to 5.75%
Ohio Public Works Commission Loans	136,250	0%
Total	\$4,340,805	

There are three Ohio Water Development Authority (OWDA) loans which 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 5 years. The Village will repay the waste-water treatment plant expansion project loan in semiannual payment totaling \$306,669 each year, including interest, over 10 years. The Village will repay the Waterline Loops and reservoir Pump Station loan in semiannual payment totaling \$36,490 each year, including interest, over 12 years. 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.

There are two General Obligation Bonds which are collateralized by the Village's taxing authority. The General Obligation Bonds have been used to refurbish the New Administration Building.

There are two Ohio Public Works Commission Loans (OPWC) related 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's water and sewer receipts.

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

	OWDA Loans	General Obligation Bonds	OPWC Loans
Year ending December 31:			
2013	\$434,508	\$42,910	\$16,750
2014	434,508	42,925	16,750
2015	434,508	42,897	16,750
2016	434,508	42,827	16,750
2017	434,508	43,715	16,750
2018 - 2022	1,715,800	213,949	37,500
2023 - 2027	54,466	124,811	15,000
2028 - 2032		64,476	
2033 - 2037		38,124	
Total	\$3,942,806	\$656,634	\$136,250

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, 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, 2012.

9. Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (41.5% effective November 1, 2011, 40% through October 31, 2011 and 17.5% through October 31, 2010) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 and 761 members as of December 31, 2011 and 2010 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Pool Membership (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2011 and 2010 (the latest information available).

	<u>2011</u>	<u>2010</u>
Assets	\$12,501,280	\$12,036,541
Liabilities	<u>(5,328,761)</u>	<u>(4,845,056)</u>
Members' Equity	<u>\$7,172,519</u>	<u>\$7,191,485</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

10. Jointly Governed Organizations

Mantua-Shalersville Fire District (the District): The District provides fire and EMS services to its members. District members include 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

11. Subsequent Events

As of May 2, 2013, the Ohio Environmental Protection Agency (OEPA) was in the process of performing a review on the Water and Sewer plants. The preliminary determination was that the Village will need to replace and repair certain parts of its operations at an approximate cost of \$17,000. Also, as of May 2, 2013, the Sewer Operating Fund had a balance of \$845, along with an audit adjustment of \$10,845, which is pending, that will decrease the amount available within the Sewer Operating Fund. Council has determined that the Sewer Operating Fund will not be able to shoulder this cost so the Village's General Fund will transfer the total cost to the Sewer Operating Fund to cover the costs of repair and maintenance based upon the OEPA review.

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Dave Yost • Auditor of State

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

Village of Mantua
Portage County
4650 West High Street
Mantua, Ohio 44255

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 Village of Mantua (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 3, 2013, wherein we noted the Village followed a special purpose framework the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. In addition, we noted the Village implemented Governmental Accounting Standards Board Statement No. 54 for 2012.

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.

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 2012-002 through 2012-004 described in the accompanying schedule of findings to be material weaknesses.

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 2012-001 and 2012-003.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

September 3, 2013

**VILLAGE OF MANTUA
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Anthony Fiorilli - Finding For Recovery

<i>Finding Number</i>	2012-001
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NONCOMPLIANCE

Village of Mantua Codified Ordinance Part Nine - Streets, Utilities and Public Services Code, Title Three Utilities, Chapter 921 Water, and 921.02 Water Usage Rates sets the bulk water rates for customers per as follows:

- First 1,000 gallons or fraction thereof \$7.75
- Each additional 1,000 gallons or fraction thereof \$6.50

The former Village Administrator, Anthony Fiorilli, set the rates of three customers below the Council mandated rates above. Beginning in April of 2012, Mr. Fiorilli charged two customers \$4.50 per thousand gallons, and a third customer \$6.00 per thousand gallons. For the period from April 2011 through May 30, 2013, the difference between what was charged and what should have been charged is \$2,142.08.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies due and not collected is hereby issued in the amount of \$2,142 against Anthony Fiorilli and the Village's insurance carrier, Ohio Plan Risk Management, Inc., in favor of the Village of Mantua Water Fund.

Official's Response: Officials did not provide a response.

2. Controls over Payroll Timesheets

<i>Finding Number</i>	2012-002
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MATERIAL WEAKNESS

The Village has internal control procedures in place for the processing of employees' payrolls and timesheets. Some of these procedures include timesheets to be signed by the employee and department head and the Clerk-Treasurer to maintain the original signed timesheets.

During review of thirty timesheets, the following errors were noted:

- The date in which any of the timesheets were signed could not be determined;
- Only one timesheet had an "original" signature. The Service Department has a standard payroll timesheet that is signed in advance by each of their employees. The Village Administrator's Administrative Assistant copies these pre-signed timesheets and fills them out based upon where the employee worked.
- One timesheet did not contain any form of an employee signature.

**Finding Number 2012 -002
 (Continued)**

- Only two of the timesheets were signed by a department head.
- Except for the Clerk-Treasurer's office employees, all original timesheets are maintained by the various department heads.

Failure to maintain controls over payroll processing beginning with the notations of where employees' work each day to managing the timesheets and making sure they are appropriately filled out and signed by the employee and countersigned by a supervisor can lead to errors or irregularities without management detecting within a timely manner.

The Clerk Treasurer's Office should determine the appropriate form to use for payroll as required by Village's Handbook Chapter 4, Section 4.2 and review for appropriate original signatures prior to processing payroll. In addition, we recommend the Clerk Treasurer maintain all original documents for payroll transactions.

Official's Response: Officials did not provide a response.

3. Improper Posting of Water Capital Improvement Fund Special Assessment

<i>Finding Number</i>	2012-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Village of Mantua Ordinance 2008-52 amended Section 921.08(b) of the Village's Codified Ordinances and established a service charge of \$5 to be paid by each water meter customer on a quarterly basis. The payments received from this service charge were to be placed in the Water Capital Improvement Fund (Fund 5761).

Since the inception of this service charge in 2009, a portion of the charge was improperly being posted to the Storm Sewer Improvement & Maintenance Fund (Fund 5762). As a result, the Village's accounting system contained the following errors:

- The 2011 beginning fund balance of the Storm Sewer Improvement & Maintenance Fund was overstated by \$2,278. The 2011 beginning fund balance of the Water Capital Improvement Fund was understated by \$2,278.
- In 2011, charges for services revenue in the Storm Sewer Improvement & Maintenance Fund were overstated by \$6,291 and special assessment revenue in the Water Capital Improvement Fund was understated by \$6,291.
- In 2012, charges for services revenue in the Storm Sewer Improvement & Maintenance Fund were overstated by \$5,674 and special assessment revenue in the Water Capital Improvement Fund was understated by \$5,674.

The Village has made the necessary adjustments to their financial accounting system and to their 2011 and 2012 financial statements. The Village should put in place procedures to ensure the distribution of charges to various fund are made in accordance with established ordinances.

Official's Response: Officials did not provide a response.

4. Improper Posting of Enterprise Funds Transactions

<i>Finding Number</i>	2012-004
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MATERIAL WEAKNESS

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements.

The following mispostings were identified during the audit:

- During 2011, the Village improperly posted \$11,901 in charges for services receipts in the Sewer Debt Service Fund which should have been placed in the Sewer Operating Fund.
- During 2012, the Village improperly paid \$28,718 for a pump chopper out of the Sewer Debt Service Fund. The proper fund should have been the Sewer Operating Fund.
- During 2012, the Village improperly posted \$5,972 in charges for services receipts in the Sewer Debt Service Fund which should have been placed in the Sewer Operating Fund.

The Village has made the necessary adjustments to their financial accounting system and to their 2011 and 2012 financial statements.

The Village should be more diligent in posting transactions to their accounting system. In addition, Council should monitor through their approval of monthly financial reports.

Official's Response: Officials did not provide a response.

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VILLAGE OF MANTUA
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code Section 5705.10(H) – Negative Fund Balances in the Water and Sewer Debt Service Funds	Yes	

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Dave Yost • Auditor of State

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
OCTOBER 17, 2013**