

VILLAGE OF MINERVA

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010



Dave Yost • Auditor of State

Village Council
Village of Minerva
200 North Market Street
Minerva, Ohio 44657

We have reviewed the *Report of Independent Accountants* of the Village of Minerva, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Minerva is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 24, 2013

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VILLAGE OF MINERVA
STARK COUNTY, OHIO
Audit Report
For the years ended December 31, 2011 and 2010

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Minerva, Stark County, Ohio as and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village of Minerva, Stark County 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Minerva, Stark County as of December 31, 2011 and 2010, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Minerva, Stark County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 13, for 2010 the Village changed its basis of presentation to the Auditor of State regulatory basis from the cash basis GASB 34 presentation. Also, the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 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. 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.

A handwritten signature in black ink that reads "Charles E. Harris".

Charles E. Harris & Associates, Inc.
March 25, 2013

VILLAGE OF MINERVA
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 142,694	\$ 2,209,473	-	\$ 2,352,167
Intergovernmental Revenue	240,539	194,803	\$ 8,625	443,967
Charges for Services	53,741	35,504	-	89,245
Fines, Licenses and Permits	53,556	4,192	-	57,748
Earnings on Investments	11,615	39	-	11,654
Miscellaneous	62,517	1,584	-	64,101
Total Cash Receipts	564,662	2,445,595	8,625	3,018,882
Cash Disbursements:				
Security of Persons and Property	1,225,884	-	17,150	1,243,034
Public Health Services	20,748	141,252	-	162,000
Leisure Time Activities	-	74,750	36,259	111,009
Community Environment	277	-	-	277
Basic Utility Services	10,298	-	-	10,298
Transportation	-	501,017	313,673	814,690
General Government	332,822	78,208	-	411,030
Debt Service				
Principal	-	22,174	8,718	30,892
Interest	-	3,217	53	3,270
Total Cash Disbursements	1,590,029	820,618	375,853	2,786,500
Total Receipts Over(Under) Disbursements	(1,025,367)	1,624,977	(367,228)	232,382
Other Financing Sources/Uses:				
Transfers In	1,339,000	416,034	394,012	2,149,046
Transfers Out	(120,469)	(2,060,000)	-	(2,180,469)
Other Financing Uses	(29,814)	-	-	(29,814)
Total Other Financing Sources/Uses	1,188,717	(1,643,966)	394,012	(61,237)
Excess Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	163,350	(18,989)	26,784	171,145
Fund Balance January 1, 2011	2,432,159	1,150,098	589,503	4,171,760
Fund Cash Balance December 31, 2011				
Restricted	-	1,131,109	616,287	1,747,396
Committed	60,364	-	-	60,364
Assigned	488,067	-	-	488,067
Unassigned	2,047,078	-	-	2,047,078
Fund Balance December 31, 2011	\$ 2,595,509	\$ 1,131,109	\$ 616,287	\$ 4,342,905

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
 For the Year Ended December 31, 2011

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service Fund</u>	<u>Agency</u>	
Operating Receipts:				
Charges for Services	\$ 897,083	\$ 330,991	-	\$ 1,228,074
Total Operating Receipts	897,083	330,991	-	1,228,074
Operating Disbursements:				
Personal Services	463,688	-	-	463,688
Contractual Services	220,824	-	-	220,824
Materials and Supplies	97,882	-	-	97,882
Capital Outlay	101,375	-	-	101,375
Claims	-	389,559	-	389,559
Total Operating Disbursements	883,769	389,559	-	1,273,328
Excess Operating Receipts Over/(Under) Operating Disbursements	13,314	(58,568)	-	(45,254)
Non-Operating Receipts/(Disbursements):				
Mayor's Court Fines and Fees	-	-	\$ 70,189	70,189
Earnings on Investments	21	29,986	-	30,007
Transfers In	30,659	764	-	31,423
Distribution of Fines and Fees	-	-	(69,693)	(69,693)
Debt Service:				
Principal	(13,952)	-	-	(13,952)
Interest	(330)	-	-	(330)
Total Non-Operating Receipts/(Disbursements)	16,398	30,750	496	47,644
Excess of Cash Receipts Over/(Under) Cash Disbursements	29,712	(27,818)	496	2,390
Fund Balance January 1, 2011	634,820	533,986	680	1,169,486
Fund Balance December 31, 2011	<u>\$ 664,532</u>	<u>\$ 506,168</u>	<u>\$ 1,176</u>	<u>\$ 1,171,876</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
STARK COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 169,652	\$ 2,203,813	-	\$ 2,373,465
Intergovernmental Revenue	254,388	242,403	\$ 232,603	729,394
Charges for Services	44,314	26,402	-	70,716
Fines, Licenses and Permits	34,718	3,818	-	38,536
Earnings on Investments	15,336	344	-	15,680
Miscellaneous	18,997	-	-	18,997
Total Cash Receipts	<u>537,405</u>	<u>2,476,780</u>	<u>232,603</u>	<u>3,246,788</u>
Cash Disbursements:				
Security of Persons and Property	1,174,366	-	144,964	1,319,330
Public Health Services	20,453	172,838	-	193,291
Leisure Time Activities	-	78,278	33,263	111,541
Community Environment	3,753	-	-	3,753
Basic Utility Services	13,284	-	-	13,284
Transportation	-	513,979	534,729	1,048,708
General Government	352,288	74,911	-	427,199
Capital Outlay	-	25,000	-	25,000
Debt Service:				
Principal	-	21,184	10,508	31,692
Interest	-	4,207	367	4,574
Total Cash Disbursements	<u>1,564,144</u>	<u>890,397</u>	<u>723,831</u>	<u>3,178,372</u>
Total Receipts Over(Under) Disbursements	(1,026,739)	1,586,383	(491,228)	68,416
Other Financing Sources/Uses:				
Transfers In	1,216,000	396,440	281,401	1,893,841
Transfers Out	(75,991)	(1,871,000)	-	(1,946,991)
Other Financing Uses	(198,774)	-	-	(198,774)
Total Other Financing Sources/Uses	<u>941,235</u>	<u>(1,474,560)</u>	<u>281,401</u>	<u>(251,924)</u>
Excess Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(85,504)	111,823	(209,827)	(183,508)
Fund Balance January 1, 2010 (Restated)	<u>2,517,663</u>	<u>1,038,275</u>	<u>799,330</u>	<u>4,355,268</u>
Fund Cash Balance December 31, 2010				
Restricted	-	1,150,098	589,503	1,739,601
Committed	74,985	-	-	74,985
Assigned	241,826	-	-	241,826
Unassigned	2,115,348	-	-	2,115,348
Fund Balance December 31, 2010	<u>\$ 2,432,159</u>	<u>\$ 1,150,098</u>	<u>\$ 589,503</u>	<u>\$ 4,171,760</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
STARK COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2010

	<u>Proprietary Fund Type</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service Fund</u>	<u>Agency</u>	
Operating Receipts:				
Charges for Services	\$ 1,106,426	\$ 363,035	-	\$ 1,469,461
Total Operating Receipts	1,106,426	363,035	-	1,469,461
Operating Disbursements:				
Personal Services	470,093	-	-	470,093
Contractual Services	194,688	-	-	194,688
Materials and Supplies	93,161	-	-	93,161
Capital Outlay	87,561	-	-	87,561
Claims	-	377,294	-	377,294
Total Operating Disbursements	845,503	377,294	-	1,222,797
Excess Operating Receipts Over/(Under) Operating Disbursements	260,923	(14,259)	-	246,664
Non-Operating Receipts/(Disbursements):				
Mayor's Court Fines and Fees	-	-	\$ 54,723	54,723
Interest	25	-	-	25
Transfers In	52,215	935	-	53,150
Distribution of Fines and Fees	-	-	(54,238)	(54,238)
Debt Service:				
Principal	(13,952)	-	-	(13,952)
Interest	(385)	-	-	(385)
Total Non-Operating Receipts/(Disbursements)	37,903	935	485	39,323
Excess of Cash Receipts Over/(Under) Cash Disbursements	298,826	(13,324)	485	285,987
Fund Balance January 1, 2010 (Restated)	335,994	547,310	195	883,499
Fund Balance December 31, 2010	\$ 634,820	\$ 533,986	\$ 680	\$ 1,169,486

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Minerva, Stark County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a Home Rule Charter, which provides for a Council-Administrator form of government. Under this plan, an elected mayor performs the judicial functions and presides at Council meetings. All powers of the municipality are concentrated in a Council of 4 elected representatives plus the mayor. Council has full responsibility for determination of policies. The Charter concentrates actual administration in a Municipal Administrator who is appointed by, and at times is responsible to, the Council.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. **BASIS OF ACCOUNTING**

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

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

C. **INVESTMENTS AND INACTIVE FUNDS**

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

D. **FUND ACCOUNTING**

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

Governmental Fund Types:

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

VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Governmental Fund Types – (continued)

Special Revenue Funds: To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

- ***Street Maintenance Fund:*** This fund is used for maintaining the Village's roads and storm sewers.
- ***Income Tax Fund:*** This fund receives revenues from local income tax collections to provide funds for the general fund, maintenance, new equipment and capital improvements of the Village.

Capital Projects Fund: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following capital project fund:

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

Proprietary Fund Type:

Enterprise Funds

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

- ***Water Fund-*** The water fund accounts for the provision of water to the residents and commercial users located within the Village.
- ***Sewer Fund-*** The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Internal Service Fund

This fund accounts for the financing of services provided from one department or agency to another department or agency on a cost reimbursement basis. The only internal service fund represents the payment of employee health insurance.

VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Fiduciary Fund Types:

Agency Fund

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant agency fund:

Mayor's Court Fund- This fund receives fines, bonds and costs assessed by the Court and disburses these amounts to the State, Village or the payee.

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered balances 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 re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – (continued)

H. **FUND BALANCE**

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

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.

3. **Committed**

Council can commit amounts via formal action (resolution). The Village must adhere to these commitments unless 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.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (continued)

	<u>2010</u>	<u>2011</u>
Demand Deposit	\$ (71,428)	\$ (78,003)
Total Deposits	(71,428)	(78,003)
Investments:		
Repurchase Agreement	803,401	983,319
Certificates of Deposit	908,740	908,740
Money Market	1,700,434	3,700,444
STAR-Ohio	2,000,099	281
Total Investments	<u>5,412,674</u>	<u>5,592,784</u>
Total Deposits and Investments	<u>\$ 5,341,246</u>	<u>\$ 5,514,781</u>

The negative demand deposits are due to the overnight repurchase agreements that are “swept” into investments every night.

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 is as follows:

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 1,710,399	\$ 1,903,662	\$ 193,263
Special Revenue	2,720,413	2,861,629	141,216
Capital Projects	259,257	402,637	143,380
Enterprise	914,815	927,763	12,948
Internal Service	<u>346,000</u>	<u>361,741</u>	<u>15,741</u>
Total	<u>\$ 5,950,884</u>	<u>\$ 6,457,432</u>	<u>\$ 506,548</u>

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

3. BUDGETARY ACTIVITY – (continued)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,412,981	\$ 2,228,379	\$ 184,602
Special Revenue	3,062,039	2,994,127	67,912
Capital Projects	835,388	559,512	275,876
Enterprise	990,498	945,535	44,963
Internal Service	437,648	429,667	7,981
Total	\$ 7,738,554	\$ 7,157,220	\$ 581,334

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,589,896	\$ 1,753,405	\$ 163,509
Special Revenue	2,575,019	2,873,220	298,201
Capital Projects	605,033	514,004	(91,029)
Enterprise	858,885	1,158,666	299,781
Internal Service	365,000	363,970	(1,030)
Total	\$ 5,993,833	\$ 6,663,265	\$ 669,432

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 2,389,702	\$ 2,080,735	\$ 308,967
Special Revenue	2,833,159	2,769,836	63,323
Capital Projects	901,111	873,016	28,095
Enterprise	953,656	868,335	85,321
Internal Service	401,000	377,442	23,558
Total	\$ 7,478,628	\$ 6,969,364	\$ 509,264

4. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Village. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Stark, Carroll and Columbiana County Auditor's offices at 35% of appraised market value. All property is required to be revalued every six year. The last revaluation for the Village was completed in 2011; an update will be done in 2014.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

4. PROPERTY TAXES - (continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2011 represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Stark County, Carroll County and Columbiana County Auditors collect property taxes on behalf of the Village. The Auditors remit the collected taxes to the Village. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. For 2011 and 2010, OPERS members contributed 10% of their wages. In 2011 and 2010, the Village contributed an amount equal to 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Public officials' liability
- Vehicles
- Errors and omissions
- Commercial inland marine
- Employer's liability
- Employee benefits liability
- Crime

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

6. RISK MANAGEMENT – (continued)

The Village has contracted with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA). OME-RESA self-insurance plan is a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Village's behalf. The plan offers medical and prescription drug coverage on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The Self Insurance Fund recovers the costs from charges to other funds based on an actuarially determined cost per employee. A comparison of Self Insurance Fund cash and investments to the actuarially measured liability as of December 31 follows:

	2011	2010
Cash and Investments	\$506,168	\$533,986
Actuarial liabilities	142,865	138,396

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

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

7. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
OPWC - CS04K	\$ 173,333	0.00%
OPWC - CT78F	68,880	0.00%
OPWC - CT73K	182,289	0.00%
OWDA - 4322	12,485	0.00%
Capital Lease- Street Sweeper	46,718	4.67%
Total	<u>\$ 483,705</u>	

The December 31, 2009 principal balance was \$2,493 understated.

The Ohio Public Works Commission (OPWC) loan #CS04K related to the Market Street reconstruction project. The OPWC approved a loan of \$200,000. The loan will be repaid in semiannual installments of \$3,333 over a thirty year period.

The Ohio Public Works Commission (OPWC) loan #CT78F related to a water plant improvement project. The OPWC approved a loan of \$88,877. The loan will be repaid in semiannual installments of \$2,222 over a twenty year period.

The Ohio Public Works Commission (OPWC) loan #CT73K related to a water line replacement project. The OPWC approved a loan of \$210,333. The loan will be repaid in semiannual installments of \$3,505 over a thirty year period.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

7. DEBT - (continued)

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

The Key Government Finance lease relates to a 2007 Elgin Whirlwind Street Sweeper leased through the State of Ohio cooperative purchasing and procurement program as per the State of Ohio Department of Administrative Services Contract for a price of \$155,044. The lease will be paid in annual installments over a six year period and will be bought out at the end of the lease.

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

Year ending December 31:	OPWC Loan CS04K	OPWC Loan CT78F	OPWC Loan CT73K	OWDA 4322
2012	\$ 6,666	\$ 4,444	\$ 7,010	\$ 2,497
2013	6,666	4,444	7,010	2,497
2014	6,666	4,444	7,010	2,497
2015	6,666	4,444	7,010	2,497
2016	6,666	4,444	7,010	2,497
2017-2021	33,330	22,200	35,050	-
2022-2026	33,330	22,200	35,050	-
2027-2031	33,330	2,260	35,050	-
2032-2036	33,330	-	35,050	-
2037-2039	6,666	-	7,010	-
Total	\$ 173,333	\$ 68,880	\$ 182,289	\$ 12,485

Year ending December 31:	Street Sweeper
2012	\$ 48,901

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. INCOME TAXES

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

9. INCOME TAXES – (continued)

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village's income tax department. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

10. JOINT VENTURES

The Stark Council of Governments (SCOG) is jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and Canton Crime lab. SCOG is governed by the membership, including Stark County, and other villages, cities, and townships. The membership elects a nine member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel and performs accounting and finance related activities. Continued existence of the agency is dependent on the Village's continued participation; however, the Village does not have an equity interest in the agency. The agency is not accumulating significant financial resources or experiencing fiscal stress, which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the Stark County Council of Governments, P.O. Box 21451, Canton, Ohio 44701-1451.

The Village participates in the Stark County Regional Planning Commission (Commission), which is a statutorily created political subdivision of the state. The Commission is jointly governed among Stark County, and other villages, cities, and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designing management. The Village has financial responsibility for any of the Commission's liabilities. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

The Village participates in the Carroll County Regional Planning Commission (Commission), which is a statutorily created political subdivision of the state. The Commission is jointly governed among Carroll County, and other villages, cities, and townships. The principal aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designing management. The Village has financial responsibility for any of the Commission's liabilities. Complete financial statements may be obtained from the Carroll County Regional Planning Commission, Carroll County, Ohio.

11. TRANSFERS

In 2011, the Village transferred \$2,060,000 from the Income Tax – Special Revenue Fund to the General Fund, Street Fund – Special Revenue Fund and the Capital Improvement - Capital Projects Fund.

In 2011, The General Fund transferred \$30,000 to the Swimming Pool Fund – Enterprise Fund to subsidize operations.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes To The Financial Statements
For The Years Ended December 31, 2011 and 2010**

11. TRANSFERS - (continued)

In 2010, the Village transferred \$1,871,000 from the Income Tax – Special Revenue Fund to the General Fund, Street Fund – Special Revenue Fund and the Capital Improvement Fund – Capital Projects Fund.

In 2010, The General Fund transferred \$20,000 and \$50,000 to the Park Fund – Special Revenue Fund and the Swimming Pool Fund – Enterprise Fund, respectively, to subsidize operations.

Also, the General Fund transferred smaller amounts to various Special Revenue Funds, Capital Projects Fund, Enterprise Funds and Internal Service Funds in both years.

12. INCOME TAXES REFUND

PCC Airfolis, LLC, the largest employer in the Village, overpaid their income taxes to the Village. The Village refunded PCC \$195,489 in 2010.

13. CHANGE IN BASIS OF PRESENTATION/ACCOUNTING PRINCIPLES

In prior years, the Village had presented their financial statements and related footnotes in accordance with the cash basis of accounting Governmental Accounting Standards Board Statement Number 34. That accounting basis segregated larger (major) funds from the smaller (non-major) funds. In 2010, the Village changed their financial statement presentation from this basis of accounting to the Auditor of State regulatory basis, which is similar to the cash basis of accounting. It also combines all related funds into separate columns (General Fund, Special Revenue Funds, Capital Project Funds and Enterprise Funds).

The Village has also implemented Governmental Accounting Standards Board Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Rockefeller Building
614 West Superior Avenue #1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

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

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

To the Village Council:

We have audited the financial statements of the Village of Minerva, Stark County Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 25, 2013, 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. Also, we noted the Village implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2011-03 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

We also noted certain matters that we have reported to management of the Village in a separate letter dated March 25, 2013.

We intend this report solely for the information and use of management, the Village Council and others within the Village. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.
March 25, 2013

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF FINDINGS
December 31, 2011 and 2010

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

Finding Number 2011-01 – Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For the audit period, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village's accounting records, such as posting errors, interest received and bank errors. The annual reports for these years were filed with the Auditor of State with these unresolved differences.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner. All differences were adjusted in the audit report and Village's records.

The Village should perform and complete monthly bank reconciliations in a timely manner. Although Council reviews and approves the bank reconciliations, we recommend that they also inquire/investigate any differences in the bank reconciliations.

Management's Response:

Management has adjusted the records to reflect proper balances. Also, we will properly perform bank reconciliations in the future and investigate any differences.

Finding Number 2011-02 – Material Weakness

The Village had posting errors during the fiscal years 2011 and 2010. The more significant errors noted are as follows:

- The annual financial report prepared by the computer consultant had several inconsistencies between the detailed ledgers/statements to the combined statements.
- Principal and interest paid was recorded in various line items.
- Certain receipts, including but limited to Intergovernmental revenue was posted to Miscellaneous revenue.
- Duplicate postings of various expenses were made.
- Duplicate postings of various receipts were made.
- Certain bank fees and interest were not recorded.
- Transfers in and transfers out were not segregated from functional line items or Other financing sources and uses.

All differences noted above were adjusted in the Village's books and the audited financial statements.

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF FINDINGS - continued
December 31, 2011 and 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2011-02 – Material Weakness - continued

We recommend that the Village post receipts and disbursements timely and in the proper line item per the Village Officers' Handbook. Also, we recommend that the Fiscal Officer review all financial reports for accuracy and trace the ending cash reports to the bank reconciliation.

Management's Response:

Management has communicated the discrepancies to the computer consultant, who will correct in future reports. Also, management will review all transactions and compare to the Village Officers' Handbook for correct posting.

Finding Number 2011-03 – Significant Deficiency

The Village has not adopted a formal written accounting procedure manual, which should include items such as written job descriptions for the Clerk-Treasurer, Payroll Supervisor, Income Tax Administrator, Water/Sewer Administrator, and various other employees. The manual should include accounting procedure narratives for all receipts cycles, non-payroll and payroll expenditures and appropriate training for those positions. These narratives would detail the procedures necessary to perform each of the duties (receipting and disbursing of non-payroll and payroll transactions) necessary for the various employees. The lack of a formal written accounting procedure manual creates an undefined system of accounting and reporting which could lead to a lack of segregation of duties and errors not being detected in a timely manner, and incorrect accounting procedures.

As well as developing a formal policy and procedures manual, employees should be cross-trained on other Village jobs to ensure all employees are familiar with procedures.

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

Management's Response:

Management will review the prospect of completing a formal policy and procedure manual.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-01	Various misstatements from financial statement preparation	No	Repeated as Finding 2011-02



Dave Yost • Auditor of State

VILLAGE OF MINERVA

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2013**