



Dave Yost • Auditor of State

VILLAGE OF MINERVA
STARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Minerva, Stark County (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows 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 Minerva, Stark County, as of December 31, 2013 and 2012, 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(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the Village restated their December 31, 2011 fund cash balances for the General and Special Revenue Funds. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2015, 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 22, 2015

**VILLAGE OF MINERVA
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$120,730	\$120,195	\$0	\$240,925
Municipal Income Tax	2,265,609	-	-	2,265,609
Intergovernmental	194,641	240,136	121,190	555,967
Charges for Services	2,089	21,551	-	23,640
Fines, Licenses and Permits	62,284	4,950	-	67,234
Earnings on Investments	10,360	784	306	11,450
Miscellaneous	59,522	754	-	60,276
<i>Total Cash Receipts</i>	<u>2,715,235</u>	<u>388,370</u>	<u>121,496</u>	<u>3,225,101</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,118,024	-	27,699	1,145,723
Public Health Services	19,312	114,637	-	133,949
Leisure Time Activities	-	76,873	59,281	136,154
Community Environment	19,764	-	-	19,764
Basic Utility Services	70,267	-	-	70,267
Transportation	-	596,135	249,484	845,619
General Government	422,264	31,044	-	453,308
Debt Service:				
Principal Retirement	-	-	6,667	6,667
<i>Total Cash Disbursements</i>	<u>1,649,631</u>	<u>818,689</u>	<u>343,131</u>	<u>2,811,451</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,065,604</u>	<u>(430,319)</u>	<u>(221,635)</u>	<u>413,650</u>
Other Financing Receipts (Disbursements)				
Transfers In	50,000	488,000	469,000	1,007,000
Transfers Out	(1,392,000)	-	-	(1,392,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,342,000)</u>	<u>488,000</u>	<u>469,000</u>	<u>(385,000)</u>
<i>Net Change in Fund Cash Balances</i>	(276,396)	57,681	247,365	28,650
<i>Fund Cash Balances, January 1</i>	<u>3,403,516</u>	<u>1,044,196</u>	<u>508,814</u>	<u>4,956,526</u>
Fund Cash Balances, December 31				
Restricted	-	1,101,877	756,179	1,858,056
Assigned	322,923	-	-	322,923
Unassigned (Deficit)	2,804,197	-	-	2,804,197
<i>Fund Cash Balances, December 31</i>	<u>\$3,127,120</u>	<u>\$1,101,877</u>	<u>\$756,179</u>	<u>\$4,985,176</u>

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

**VILLAGE OF MINERVA
STARK 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, 2013**

	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$908,854	\$480,501	\$0	\$1,389,355
Fines, Licenses and Permits	195	-	-	195
Miscellaneous	29,986	-	-	29,986
<i>Total Operating Cash Receipts</i>	<u>939,035</u>	<u>480,501</u>	<u>-</u>	<u>1,419,536</u>
Operating Cash Disbursements				
Personal Services	491,072	-	-	491,072
Contractual Services	244,432	-	-	244,432
Supplies and Materials	104,004	-	-	104,004
Claims	-	584,239	-	584,239
<i>Total Operating Cash Disbursements</i>	<u>839,508</u>	<u>584,239</u>	<u>-</u>	<u>1,423,747</u>
<i>Operating Income (Loss)</i>	<u>99,527</u>	<u>(103,738)</u>	<u>-</u>	<u>(4,211)</u>
Non-Operating Receipts (Disbursements)				
Mayor's Court Fines and Fees	-	-	83,169	83,169
Intergovernmental	53,932	-	-	53,932
Earnings on Investments	462	481	-	943
Distribution of Fines and Fees	-	-	(83,169)	(83,169)
Capital Outlay	(140,792)	-	-	(140,792)
Principal Retirement	(13,952)	-	-	(13,952)
Interest and Other Fiscal Charges	(220)	-	-	(220)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(100,570)</u>	<u>481</u>	<u>-</u>	<u>(100,089)</u>
<i>Income (Loss) before Transfers</i>	<u>(1,043)</u>	<u>(103,257)</u>	<u>-</u>	<u>(104,300)</u>
Transfers In	<u>335,000</u>	<u>50,000</u>	<u>-</u>	<u>385,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>333,957</u>	<u>(53,257)</u>	<u>-</u>	<u>280,700</u>
<i>Fund Cash Balances, January 1</i>	<u>759,753</u>	<u>477,533</u>	<u>-</u>	<u>1,237,286</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,093,710</u></u>	<u><u>\$424,276</u></u>	<u><u>\$0</u></u>	<u><u>\$1,517,986</u></u>

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

**VILLAGE OF MINERVA
STARK 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	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$134,853	\$121,674	\$0	\$256,527
Municipal Income Tax	2,308,574	-	-	2,308,574
Intergovernmental	113,563	238,886	96,851	449,300
Charges for Services	8,977	28,154	-	37,131
Fines, Licenses and Permits	74,616	5,644	-	80,260
Earnings on Investments	10,262	1,318	334	11,914
Miscellaneous	645,923	2,013	-	647,936
<i>Total Cash Receipts</i>	<u>3,296,768</u>	<u>397,689</u>	<u>97,185</u>	<u>3,791,642</u>
Cash Disbursements				
Current:				
Security of Persons and Property	1,136,434	-	40,012	1,176,446
Public Health Services	20,122	121,902	-	142,024
Leisure Time Activities	-	72,720	93,879	166,599
Community Environment	14,368	-	-	14,368
Basic Utility Services	69,971	-	-	69,971
Transportation	-	503,021	426,945	929,966
General Government	491,033	2,047	-	493,080
Debt Service:				
Principal Retirement	-	46,718	6,667	53,385
Interest and Fiscal Charges	-	2,182	-	2,182
<i>Total Cash Disbursements</i>	<u>1,731,928</u>	<u>748,590</u>	<u>567,503</u>	<u>3,048,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,564,840</u>	<u>(350,901)</u>	<u>(470,318)</u>	<u>743,621</u>
Other Financing Receipts (Disbursements)				
Transfers In	11,835	419,793	362,845	794,473
Transfers Out	(924,473)	-	-	(924,473)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(912,638)</u>	<u>419,793</u>	<u>362,845</u>	<u>(130,000)</u>
<i>Net Change in Fund Cash Balances</i>	652,202	68,892	(107,473)	613,621
<i>Fund Cash Balances, January 1 - Restated</i>	<u>2,751,314</u>	<u>975,304</u>	<u>616,287</u>	<u>4,342,905</u>
Fund Cash Balances, December 31				
Restricted	-	1,044,196	508,814	1,553,010
Assigned	1,737,192	-	-	1,737,192
Unassigned (Deficit)	1,666,324	-	-	1,666,324
<i>Fund Cash Balances, December 31</i>	<u>\$3,403,516</u>	<u>\$1,044,196</u>	<u>\$508,814</u>	<u>\$4,956,526</u>

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

**VILLAGE OF MINERVA
STARK 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 Types		Fiduciary Fund	Totals
	Enterprise	Internal Service	Type Agency	(Memorandum Only)
Operating Cash Receipts				
Charges for Services	\$946,356	\$372,000	\$0	\$1,318,356
Fines, Licenses and Permits	125	-	-	125
Miscellaneous	68,488	-	-	68,488
<i>Total Operating Cash Receipts</i>	<u>1,014,969</u>	<u>372,000</u>	<u>-</u>	<u>1,386,969</u>
Operating Cash Disbursements				
Personal Services	438,621	-	-	438,621
Contractual Services	235,464	-	-	235,464
Supplies and Materials	105,291	-	-	105,291
Claims	-	496,271	-	496,271
<i>Total Operating Cash Disbursements</i>	<u>779,376</u>	<u>496,271</u>	<u>-</u>	<u>1,275,647</u>
<i>Operating Income (Loss)</i>	<u>235,593</u>	<u>(124,271)</u>	<u>-</u>	<u>111,322</u>
Non-Operating Receipts (Disbursements)				
Mayor's Court Fines and Fees	-	-	94,787	94,787
Earnings on Investments	570	636	-	1,206
Distribution of Fines and Fees	-	-	(95,963)	(95,963)
Capital Outlay	(165,221)	-	-	(165,221)
Principal Retirement	(10,446)	-	-	(10,446)
Interest and Other Fiscal Charges	(275)	-	-	(275)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(175,372)</u>	<u>636</u>	<u>(1,176)</u>	<u>(175,912)</u>
<i>Income (Loss) before Transfers</i>	<u>60,221</u>	<u>(123,635)</u>	<u>(1,176)</u>	<u>(64,590)</u>
Transfers In	<u>35,000</u>	<u>95,000</u>	<u>-</u>	<u>130,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>95,221</u>	<u>(28,635)</u>	<u>(1,176)</u>	<u>65,410</u>
<i>Fund Cash Balances, January 1</i>	<u>664,532</u>	<u>506,168</u>	<u>1,176</u>	<u>1,171,876</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$759,753</u></u>	<u><u>\$477,533</u></u>	<u><u>\$0</u></u>	<u><u>\$1,237,286</u></u>

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

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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

The Village participates in several jointly governed organizations, including the Stark Council of Governments (SCOG), Stark County Regional Planning Commission and the Carroll County Regional Planning Commission. Note 9 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

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.

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

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:

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund (which includes the Income Tax Fund for financial reporting purposes) accounts for and reports all financial resources not accounted for and reported in another fund.

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's had the following significant Special Revenue fund:

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

3. 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's most significant capital project fund is the Capital Improvement Fund. This fund receives local income taxes and state grants to provide for new equipment and capital improvements within the Village.

4. 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.

5. Internal Service Fund

This fund accounts for services provided by one department to other departments of the government unit. The Village had an Internal Service Fund which receives insurance premium payments from other funds to pay medical claims of employees enrolled in the health insurance plan.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village had no trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund, the Mayor's Court 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 (except certain agency funds) be budgeted annually.

1. Appropriations

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

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 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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

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 classifications are as follows:

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

2. 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:

	2013	2012
Demand deposits	(\$21,256)	(\$32,791)
Certificates of deposit	908,740	908,740
Total deposits	887,484	875,949
STAR Ohio	282	281
Repurchase agreement	1,915,396	1,617,168
Money Markets	3,700,000	3,700,414
Total investments	5,615,678	5,317,863
Total deposits and investments	\$6,503,162	\$6,193,812

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

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,382,214	\$2,765,235	\$383,021
Special Revenue	829,028	876,370	47,342
Capital Projects	345,285	590,496	245,211
Enterprise	2,420,900	1,328,429	(1,092,471)
Internal Service	547,000	530,982	(16,018)
Fiduciary	88,000	83,169	(4,831)
Total	\$6,612,427	\$6,174,681	(\$437,746)

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,942,291	\$3,191,915	\$750,376
Special Revenue	924,881	902,884	21,997
Capital Projects	383,810	372,701	11,109
Enterprise	2,401,850	1,156,601	1,245,249
Internal Service	642,000	600,335	41,665
Fiduciary	88,000	83,169	4,831
Total	<u>\$8,382,832</u>	<u>\$6,307,605</u>	<u>\$2,075,227</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,206,798	\$3,308,603	\$1,101,805
Special Revenue	819,703	817,482	(2,221)
Capital Projects	693,750	460,030	(233,720)
Enterprise	932,700	1,050,539	117,839
Internal Service	411,000	467,636	56,636
Fiduciary	100,000	94,787	(5,213)
Total	<u>\$5,163,951</u>	<u>\$6,199,077</u>	<u>\$1,035,126</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,992,865	\$2,833,516	\$159,349
Special Revenue	904,810	868,765	36,045
Capital Projects	954,145	646,889	307,256
Enterprise	965,750	971,816	(6,066)
Internal Service	535,150	513,233	21,917
Fiduciary	95,000	95,963	(963)
Total	<u>\$6,447,720</u>	<u>\$5,930,182</u>	<u>\$517,538</u>

4. 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.

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

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. LOCAL INCOME TAX

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

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission (CS04K)	\$160,000	0%
Ohio Public Works Commission (CT78F)	59,992	0%
Ohio Public Works Commission (CT73K)	171,772	0%
Ohio Water Development Authority Loan	7,491	0%
Total	<u>\$399,255</u>	

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

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

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

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved a loan of \$24,970 to the Village for this project. The Village will repay the loans in semiannual installments of \$1,249, plus interest, 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.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT – (Continued)

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC CS04K	OPWC CT78F	OPWC CT37K	OWDA Loan
2014	\$6,667	\$4,444	\$7,011	\$2,497
2015	6,667	4,444	7,011	2,497
2016	6,667	4,444	7,011	2,497
2017	6,667	4,444	7,011	0
2018	6,667	4,444	7,011	0
2019-2023	33,333	22,219	35,055	0
2024-2028	33,333	15,553	35,055	0
2029-2033	33,333	0	35,055	0
2034-2038	26,666	0	31,552	0
Total	<u>\$160,000</u>	<u>\$59,992</u>	<u>\$171,772</u>	<u>\$7,491</u>

7. 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 2013 and 2012, OP&F participants contributed 10% of their wages through June 2013, and contributed 10.75% of their wages from July 1, 2013 through December 31, 2013. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. RISK MANAGEMENT – (Continued)

Self-Insurance Plan

The Village was a member of the Jefferson Health Plan, formally the Ohio Mid-Eastern Regional Educational Service Agency, Health Benefits Consortium, during the 2013 and 2012 years. This self-insurance plan is a risk-sharing, claims servicing, and insurance purchasing pool, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the Village's behalf. The plan offers medical and prescription drug coverage on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The Village's Self Insurance Fund recovers the costs of this plan by charging the other funds based on an actuarially determined cost per employee. The Self Insurance Fund's cash and investments at December 31 is as follows:

	<u>2013</u>	<u>2012</u>
Cash and investments	\$424,276	\$477,533

9. JOINTLY GOVERNED ORGANIZATIONS

The Stark Council of Governments (SCOG) is a jointly governed organization. The SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. The SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and Canton Crime Lab. The SCOG is governed by the membership, including Stark County, and other villages, cities and townships. The membership elects a nine-member executive committee. Based on recommendations of the executive committee, the membership approves its own budget, appoints personnel, and performs accounting and finance-related activities. Continued existence of the agency is dependent on the Village's continued participation; however, the Village does not have an equity interest in the agency. The agency is not accumulating significant financial resources nor is it experiencing fiscal stress, which would cause additional financial benefit or burden to the Village. Complete financial statements may be obtained from the SCOG at P.O. Box 21451, Canton, Ohio 44701-1451.

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

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

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

10. RESTATEMENT OF FUND CASH BALANCES

The Village has restated the fund cash balances of the General and Special Revenue Fund types to reflect the Village Income Tax within the General Fund.

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Fund cash balances as previously reported at December 31, 2011	\$2,595,509	\$1,131,109
Restatement	<u>155,805</u>	<u>(155,805)</u>
Restated fund cash balances at December 31, 2011	<u>\$2,751,314</u>	<u>\$975,304</u>

11. INTERFUND TRANSFERS

Interfund transfers from the General Fund for the years ended December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Transfer to</u>		
General – Employee Retirement	\$50,000	\$11,835
<i>Special Revenue Funds:</i>		
Street Maintenance & Repair (Income tax)	452,000	383,793
Shade Tree	1,000	1,000
Swimming Pool	35,000	35,000
<i>Capital Projects Funds:</i>		
Capital Improvement (Income tax)	339,000	287,845
Capital Improvement	130,000	-
Vehicle Replacement	-	75,000
<i>Proprietary Funds:</i>		
Sewer	300,000	-
Park	35,000	30,000
Cemetery	-	5,000
<i>Internal Service:</i>		
Self – Insurance	<u>50,000</u>	<u>95,000</u>
Grand Total	\$1,392,000	\$924,473

The General fund made transfers to the Employee Retirement fund in both years. For financial reporting purposes the Employee Retirement fund is combined with the General fund. Transfers to the Street Maintenance & Repair and Capital Improvement funds were to move income tax receipts based on Council ordinance to support programs and projects accounted for in those funds. Additional transfers were made from the General fund to various funds to support programs and projects in those funds.



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

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Minerva, Stark County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 22, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and also noted the Village restated the fund cash balances of the General and Special Revenue Funds.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 22, 2015

**VILLAGE OF MINERVA
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Financial Reporting

<i>Finding Number</i>	2013-001
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MATERIAL WEAKNESS

Errors were noted in the Village's financial statements for both 2013 and 2012, some of which required adjustments as indicated below:

- \$307,007 of Intergovernmental Revenue (Ohio Public Works Commission, Ohio Water Development Authority and County reimbursement receipts) were misclassified as Miscellaneous Revenue to the Capital Improvement (D04) and Sewer (E02) funds during 2013 and 2012. Of this amount, \$121,190 and \$96,851 for the Capital Improvement fund in 2013 and 2012 and \$53,932 for the Sewer Fund in 2013 were adjusted on the financial statements.
- \$852,501 of Charges for Services (employee portions of self insurance premiums) were misclassified as Transfers In to the Internal Service (F01) fund and were adjusted to the financial statements for \$480,501 and \$372,000 during 2013 and 2012, respectively.
- Based on implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, any year-end general fund balance appropriations in excess of estimated receipts (taxes and other sources) for the subsequent fiscal year must be classified as assigned fund balance. General fund, fund balance reclassifications were made from Unassigned to Assigned fund balances for \$172,639 and \$1,560,077 in 2013 and 2012, respectively.

Additionally, the Village misclassified Charges for Services (water deposits, water on/off fees) as Miscellaneous Receipts to the Water (E01) and Water Deposit (E08) funds during 2013 (\$29,986) and 2012 (\$33,454). These amounts were not adjusted within the accompanying financial statements.

The Finance Director should review all receipts to determine the revenue source before posting to the accounting system. This may help ensure all amounts are posted to the correct fund/line item and are properly reported at year end. In addition, the Finance Director should review the fund balance classifications as defined in GASB Statement No. 54 to help ensure the Village properly reports fund balance categories for financial statement purposes.

Official's Response: We did not receive a response from officials to this finding.

2. Cash Reconciliation

<i>Finding Number</i>	2013-002
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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 Village's accounting 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 and bank fees.

As a result of not properly reconciling the book to the bank and investment balances on a monthly basis, the Village had unreconciled differences of \$38,886 and \$45,448 in which the bank and investment balances were higher than the book balance for the December 31, 2013 and December 31, 2012 year end reconciliations, respectively.

In addition, when the Finance Director posted the prior year audit adjustments to the Village's accounting system, the General Fund amount was entered in error. The adjustment amount for the General fund was \$33,117 and the amount posted to the accounting system was \$33,617 for a difference of \$500.

The Village should identify what the unreconciled amounts relate to through internal procedures or possibly contracting with an external accountant to assist. Once identified, the appropriate adjustments should be made. The Village should perform and complete monthly bank reconciliations by fully investigating and resolving any differences between the bank and the book (accounting record) balances.

Although Village Council reviews and approves the bank reconciliations at the monthly Council Meetings, Council should also question any differences noted on the bank reconciliations for further explanation.

Official's Response: Management will be taking steps to make the corrections needed to complete our 2013 and 2012 audit. This will be done as soon as possible.

3. Procedure Manual

<i>Finding Number</i>	2013-003
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SIGNIFICANT DEFICIENCY

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

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

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

Official's Response: We did not receive a response from officials to this finding.

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**VILLAGE OF MINERVA
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 and 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Material Weakness – Unresolved differences on the year-end bank to book reconciliations.	No	Not Corrected – Repeated as Finding 2013-002
2011-02	Material Weakness – Posting errors such as misclassification of revenues, receipts recorded in duplicate, expenses recorded in duplicate, bank fees and interest not recorded.	No	Partially Corrected - Repeated as Finding 2013-001
2011-03	Significant Deficiency – No formal accounting policy manual including narratives for all receipt/disbursement cycles, or cross-training of employees (for other jobs other than their own)	No	Not Corrected – Repeated as Finding 2013-003

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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
NOVEMBER 5, 2015**