

***VILLAGE OF MINERVA
STARK COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Minerva
209 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, 2006 through December 31, 2007. 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's Office (AOS). 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 AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. 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 AOS 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 9, 2008

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**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 & 2006**

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

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Minerva
Stark County
209 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 (the Village), as of and for the years ended December 31, 2007 and 2006. 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 that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, 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 and reserves for encumbrances of the Village of Minerva, Stark County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2008, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

July 18, 2008

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2007**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 175,289	\$ 194,158	-	\$ 369,447
Municipal Income Taxes	-	1,967,935	-	1,967,935
Intergovernmental	353,525	187,351	\$ 585,178	1,126,054
Special Assessments	-	30,663	-	30,663
Charges for Services	82,098	21,597	-	103,695
Fines, Licenses and Permits	39,234	4,122	-	43,356
Earnings on Investments	214,766	22,176	-	236,942
Miscellaneous	21,200	1,016	254	22,470
Total Receipts	886,112	2,429,018	585,432	3,900,562
Disbursements:				
Current:				
Security of Persons & Property	843,821	-	63,536	907,357
Public Health Services	19,338	152,604	-	171,942
Leisure Time Activities	-	54,048	-	54,048
Community Environment	3,684	-	-	3,684
Basic Utility Services	114,143	-	-	114,143
Transportation	-	349,522	1,035,389	1,384,911
General Government	334,788	71,057	-	405,845
Capital Outlay	5,684	131,205	251,540	388,429
Debt Service:				
Redemption of Principal	-	25,391	2,952	28,343
Interest and Fiscal Charges	-	-	1,257	1,257
Total Disbursements	1,321,458	783,827	1,354,674	3,459,959
Total Receipts Over/(Under) Disbursements	(435,346)	1,645,191	(769,242)	440,603
Other Financing Sources/(Uses):				
Transfers-In	1,197,625	372,932	661,172	2,231,729
Transfers-Out	(802,901)	(1,910,084)	-	(2,712,985)
Total Other Financing Sources/(Uses)	394,724	(1,537,152)	661,172	(481,256)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(40,622)	108,039	(108,070)	(40,653)
Fund Cash Balance, January 1, 2007	1,495,981	660,936	1,578,947	3,735,864
Fund Cash Balance, December 31, 2007	\$ 1,455,359	\$ 768,975	\$ 1,470,877	\$ 3,695,211
Encumbrances, December 31, 2007	\$ 1,833	\$ 55,453	\$ 54,180	\$ 111,466

See Accompanying Notes to the Financial Statements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2006**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Local Taxes	\$ 176,343	\$ 183,904	-	\$ 360,247
Municipal Income Taxes	-	1,848,670	-	1,848,670
Intergovernmental	431,953	190,218	-	622,171
Charges for Services	73,357	29,006	-	102,363
Fines, Licenses and Permits	47,728	5,532	-	53,260
Earnings on Investments	188,733	23,194	-	211,927
Miscellaneous	24,019	4,167	-	28,186
Total Receipts	942,133	2,284,691	-	3,226,824
Disbursements:				
Current:				
Security of Persons & Property	890,456	-	-	890,456
Public Health Services	13,984	148,367	-	162,351
Leisure Time Activities	-	55,940	-	55,940
Community Environment	3,248	-	-	3,248
Basic Utility Services	13,786	-	-	13,786
Transportation	-	375,267	\$ 20,370	395,637
General Government	320,025	60,007	-	380,032
Capital Outlay	111,862	240,676	154,496	507,034
Debt Service:				
Redemption of Principal	-	-	1,381	1,381
Interest and Fiscal Charges	-	-	723	723
Total Disbursements	1,353,361	880,257	176,970	2,410,588
Total Receipts Over/(Under) Disbursements	(411,228)	1,404,434	(176,970)	816,236
Other Financing Sources/(Uses):				
Transfers-In	1,069,890	362,290	629,425	2,061,605
Sale of Fixed Assets	10,570	-	-	10,570
Transfers-Out	(706,085)	(1,844,350)	-	(2,550,435)
Total Other Financing Sources/(Uses)	374,375	(1,482,060)	629,425	(478,260)
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	(36,853)	(77,626)	452,455	337,976
Fund Cash Balance, January 1, 2006	1,532,834	738,562	1,126,492	3,397,888
Fund Cash Balance, December 31, 2006	\$ 1,495,981	\$ 660,936	\$ 1,578,947	\$ 3,735,864
Encumbrances, December 31, 2006	\$ 9,674	\$ 3,695	\$ 14,748	\$ 28,117

See Accompanying Notes to the Financial Statements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds and Similar Fiduciary Funds
For the Year Ended December 31, 2007**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency Fund	
Receipts:				
Charges for Services	\$ 856,442	-	-	\$ 856,442
Fines Licenses and Permits	-	-	\$ 45,341	45,341
Total Receipts	856,442	-	45,341	901,783
Disbursements:				
Personal Services	326,446	-	-	326,446
Employee Fringe Benefits	69,633	-	-	69,633
Contractual Services	151,358	\$ 301,810	-	453,168
Materials and Supplies	70,217	-	-	70,217
Mayor's Court Distribution	-	-	45,341	45,341
Capital Outlay	232,914	-	-	232,914
Total Disbursements	850,568	301,810	45,341	1,197,719
Excess of Receipts Over (Under) Disbursements	5,874	(301,810)	-	(295,936)
Nonoperating Receipts (Disbursements):				
Debt Service:				
Principal	(70,535)	-	-	(70,535)
Interest	(5,214)	-	-	(5,214)
Proceeds of OPWC Loan	46,460	-	-	46,460
Total Nonoperating Receipts (Disbursements)	(29,289)	-	-	(29,289)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	(23,415)	(301,810)	-	(325,225)
Transfers in	148,291	397,881	-	546,172
Transfers out	(64,916)	-	-	(64,916)
Net Receipts Over/(Under) Disbursements	59,960	96,071	-	156,031
Fund Balance, January 1, 2007	504,434	345,917	-	850,351
Fund Balance, December 31, 2007	\$ 564,394	\$ 441,988	\$ -	\$ 1,006,382
Encumbrances, December 31, 2007	\$ 7,580	\$ -	\$ -	\$ 7,580

See Accompanying Notes to the Financial Statements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
All Proprietary Funds and Similar Fiduciary Funds
For the Year Ended December 31, 2006**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Agency Fund	
Receipts:				
Charges for Services	\$ 773,534	-	-	\$ 773,534
Fines Licenses and Permits	-	-	\$ 55,771	55,771
Total Receipts	773,534	-	55,771	829,305
Disbursements:				
Personal Services	306,408	-	-	306,408
Employee Fringe Benefits	63,523	-	-	63,523
Contractual Services	179,565	\$ 297,674	-	477,239
Materials and Supplies	85,565	-	-	85,565
Mayor's Court Distribution	-	-	55,771	55,771
Capital Outlay	165,183	-	-	165,183
Total Disbursements	800,244	297,674	55,771	1,153,689
Excess of Receipts Over (Under) Disbursements	(26,710)	(297,674)	-	(324,384)
Nonoperating Receipts (Disbursements):				
Debt Service:				
Principal	(63,551)	-	-	(63,551)
Interest	(9,976)	-	-	(9,976)
Proceeds of OPWC Loan	42,467	-	-	42,467
Total Nonoperating Receipts (Disbursements)	(31,060)	-	-	(31,060)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Interfund Transfers	(57,770)	(297,674)	-	(355,444)
Transfers in	140,283	410,041	-	550,324
Transfers out	(61,494)	-	-	(61,494)
Net Receipts Over/(Under) Disbursements	21,019	112,367	-	133,386
Fund Balance, January 1, 2006	483,415	233,550	-	716,965
Fund Balance, December 31, 2006	\$ 504,434	\$ 345,917	\$ -	\$ 850,351
Encumbrances, December 31, 2006	\$ 27,220	\$ 44,736	\$ -	\$ 71,956

See Accompanying Notes to the Financial Statements.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

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. The Village provides general governmental services, including water and sewer utilities; park operations (leisure time activities); and fire and police services.

The Village's management believes these 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.

The Village is associated with certain organizations, which are defined as Jointly Governed Organizations under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. These organizations are presented in Note 8. These organizations include:

Stark Council of Governments
Stark County Regional Planning Commission
Carroll County Regional Planning Commission

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.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. CASH

The Village maintained their cash in a business checking account and certificates of deposits. Certificates of deposit are valued at cost.

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.

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

- Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- 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: This fund is used to account for resources to be used for the acquisition or construction of capital assets. The Village has the following significant Capital Projects Fund:

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

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Proprietary Fund Types:

Enterprise Funds:

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Water Operating Fund – This fund receives charges for services from residents to cover the cost of providing water service.
- Sewer Operating Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

Internal Service Fund:

This fund is used to account for services provided by one department to other departments of the governmental unit. The Village has the following significant internal service fund:

- Self-funded Insurance Medical Fund – This fund receives insurance payments from other funds, which are used to pay medical claims of full time employees enrolled in the health insurance plan.

Fiduciary Fund Type: This fund is used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court Agency Fund – This fund receives fines and forfeitures from the Mayor's Court to be distributed to the Village, State of Ohio, and other governments.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

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 Village Council must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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, 2007 and 2006**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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:

	2007	2006
Demand Deposits	\$ 492,853	\$ 277,475
Certificates of Deposit	4,208,740	4,308,740
Total Deposits and Investments	\$ 4,701,593	\$ 4,586,215

Deposits: Deposits are either (1) insured by the Federal Deposit 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.

3. PROPERTY TAXES

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,541,406	\$ 2,083,737	\$ 542,331
Special Revenue	2,563,376	2,801,950	238,574
Capital Projects	227,525	1,246,604	1,019,079
Enterprise	1,071,479	1,051,193	(20,286)
Internal Service	266,364	397,881	131,517
Total	\$ 5,670,150	\$ 7,581,365	\$ 1,911,215

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,245,280	\$ 2,126,192	\$ 119,088
Special Revenue	2,810,221	2,749,364	60,857
Capital Projects	899,569	1,408,854	(509,285)
Enterprise	1,189,850	998,813	191,037
Internal Service Fund	360,000	301,810	58,190
Total	\$ 7,504,920	\$ 7,585,033	\$ (80,113)

2006 Budgeted vs Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,418,646	\$ 2,022,593	\$ 603,947
Special Revenue	2,565,529	2,646,981	81,452
Capital Projects	478,700	629,425	150,725
Enterprise	844,734	956,284	111,550
Internal Service	282,771	410,041	127,270
Total	\$ 5,590,380	\$ 6,665,324	\$ 1,074,944

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,191,145	\$ 2,069,120	\$ 122,025
Special Revenue	2,806,364	2,728,302	78,062
Capital Projects	625,000	191,718	433,282
Enterprise	1,019,941	962,485	57,456
Internal Service Fund	365,925	342,410	23,515
Total	\$ 7,008,375	\$ 6,294,035	\$ 714,340

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY – (Continued)

Contrary to Ohio Revised Code Section 5705.41(B), the Village had expenditures plus encumbrances exceeding appropriations.

Contrary to Ohio Revised Code Section 5705.39, the Village had appropriations exceeding estimated resources.

5. RETIREMENT SYSTEMS

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

Contribution rates are prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5% in 2007 and 2006. OPERS members contributed 9.5% and 9% of their gross pay while the Village contributed an amount equal to 13.85% and 13.70% in 2007 and 2006 of covered payroll, respectively. The Village paid all required contributions through 2007.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years. Also, there was no reduction of benefits during the years ending December 31, 2007 and 2006.

The Village is also self insured for health insurance. The Self Insurance Fund pays covered claims to service providers, and 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:

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT – (Continued)

	<u>2007</u>	<u>2006</u>
Cash and investments	\$ 441,988	\$ 345,917
Actuarial liabilities	152,921	120,750

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. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% 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 quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

8. DEBT

Debt outstanding at December 31, 2007 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4322	\$ 19,976	0%
Ohio Public Works Commission Loan #CT78F	\$ 86,655	0%
Key Government Finance (Street Sweeper Lease)	\$ 129,653	4.67%
Dollar Bank (Equipment Capital Lease)	\$ 12,635	4.10%

Principal and interest requirements for debt outstanding at December 31, 2007 is as follows:

<u>Year Ended</u>	<u>OWDA Loan #4322</u>	<u>OPWC Loan #CT78F</u>	<u>Key Government Finance Street Sweeper Lease</u>	<u>Dollar Bank Equipment Capital Lease</u>
2008	\$ 2,497	\$ 4,444	\$ 25,391	\$ 4,209
2009	2,497	4,444	25,391	4,209
2010	2,497	4,444	25,391	4,209
2011	2,497	4,444	25,391	2,104
2012	2,497	4,444	48,900	-
2013-2017	7,491	22,220	-	-
2018-2022	-	22,220	-	-
2023-2027	-	19,995	-	-
Total	<u>\$ 19,976</u>	<u>\$ 86,655</u>	<u>\$ 150,464</u>	<u>\$ 14,731</u>

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

8. 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 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, with the first payment due January 1, 2008.

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 #7723500206 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.

The Village is also leasing their telephone equipment through Dollar Bank. The lease amount is \$351 per month for 60 months beginning July 2006 through June 2011.

9. JOINTLY GOVERNED ORGANIZATIONS

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 it's 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.

**VILLAGE OF MINERVA
STARK COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. JOINTLY GOVERNED ORGANIZATIONS

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.

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

11. TRANSFERS

The Village transferred monies from its Special Revenue Income Tax fund to various other funds, and from various funds to the Self Insurance Fund to fund the Village's medical insurance plan. Also, various operating Enterprise funds transferred monies to capital improvement Enterprise funds to purchase capital assets. All transfers were in accordance with Village ordinances and the Ohio Revised Code.

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS 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, 2007 and 2006, and have issued our report thereon dated July 18, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

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 July 18, 2008.

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

Charles E. Harris and Associates, Inc.
July 18, 2008

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2007 AND 2006

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

Expenditures and Encumbrances Exceed Appropriations – Noncompliance Citation

Finding Number: 2007-001

Section 5705.41 (B), Ohio Revised Code, prohibits the Village from making expenditure unless it has been properly appropriated. The funds listed below were found to have expenditures exceeding appropriations for 2007:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures plus Encumbrances</u>	<u>Variance</u>
Special Revenue-Income Tax Fund	\$ 1,846,627	\$ 1,910,350	\$ (63,723)
Capital Projects-Capital Improvement Fund	799,569	1,342,818	(543,249)

We recommend the Village monitor appropriations and expenditures plus encumbrances regularly and amend appropriations as necessary to avoid overspending.

Client Response:

In regards to the audit findings associated with expenditures exceeding appropriations within the Capital Improvement Fund, the Village received unanticipated Grant Funding which were not able to be determined within our 2007 county budget. When grant funds were officially received the Village completed projects in compliance with the terms of our Grant agreement.

VILLAGE OF MINERVA
 STARK COUNTY, OHIO
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2007 AND 2006

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)

Appropriations Exceeded Estimated Resources - Noncompliance Citation

Finding Number: 2007-002

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." Contrary to this requirement, the appropriations exceeded the available resources for the following fund in 2007:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue-Motor Vehicle	\$ 25,199	\$ 25,500	\$ (301)
Special Revenue-Muni Road Fund	10,000	35,000	(25,000)

Prior to the Council authorizing the original appropriations or approving any amendments, we recommend that the Council compare proposed appropriations to the Certificate of Estimated Resources.

Client Response:

In regards to the audit findings associated with the Municipal Road Funds please be advised that said funds are distributed to the Village from Stark County much in the same way as Grant Funding. Said funds are earmarked for a specific project and are often held over in escrow by Stark County until a particular project is completed. We have no clear indication as to what funds may be recovered until funds in 2007 were expended based on actual grants received and/or held in escrow in the Municipal Road Fund.

**VILLAGE OF MINERVA
STARK COUNTY
For the Years Ending December 31, 2007 and 2006**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Cash reconciliation not being performed	Yes	Finding No Longer Valid
2005-002	ORC 5705.41(B) –Failure to properly certify funds when incurring commitment	No	Repeated as finding 2007-001



Mary Taylor, CPA
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
NOVEMBER 6, 2008**