



**VILLAGE OF MINERVA
STARK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MINERVA
STARK COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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 August 27, 2002. 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 audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of August 27, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and "P".

Jim Petro
Auditor of State

August 27, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$130,754	\$1,854,002		\$1,984,756
Intergovernmental Receipts	257,020	134,436	\$10,000	401,456
Charges for Services	52,019	29,551		81,570
Fines, Licenses, and Permits	53,134	7,849		60,983
Earnings on Investments	179,711	19,253		198,964
Miscellaneous	66,225	1,247		67,472
Total Cash Receipts	738,863	2,046,338	10,000	2,795,201
Cash Disbursements:				
Current:				
Security of Persons and Property	862,764			862,764
Public Health Services	16,051	130,224		146,275
Leisure Time Activities		56,252		56,252
Community Environment	3,654			3,654
Basic Utility Services	13,620			13,620
Transportation		322,686		322,686
General Government	250,713	91,900		342,613
Debt Service:				
Principal and Interest Payments			390,048	390,048
Capital Outlay	21,766	152,580	684,667	859,013
Total Cash Disbursements	1,168,568	753,642	1,074,715	2,996,925
Total Cash Receipts Over/(Under) Cash Disbursements	(429,705)	1,292,696	(1,064,715)	(201,724)
Other Financing Receipts and (Disbursements):				
Transfers-In	765,600	267,184	602,848	1,635,632
Advances-In	9,000	9,000	3,000	21,000
Transfers-Out	(289,773)	(1,595,000)	0	(1,884,773)
Advances-Out	(9,000)	(9,000)	(3,000)	(21,000)
Other Financing Uses	0	0	(40,874)	(40,874)
Total Other Financing Receipts/(Disbursements)	475,827	(1,327,816)	561,974	(290,015)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	46,122	(35,120)	(502,741)	(491,739)
Fund Cash Balances, January 1	1,137,366	728,528	1,613,786	3,479,680
Fund Cash Balances, December 31	\$1,183,488	\$693,408	\$1,111,045	\$2,987,941
Reserves for Encumbrances, December 31	\$63,527	\$27,070	\$33,682	\$124,279

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

**VILLAGE OF MINERVA
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$623,098	\$231,075		\$854,173
Fines, Licenses, and Permits			\$70,962	70,962
Miscellaneous	10,914			10,914
Total Operating Cash Receipts	<u>634,012</u>	<u>231,075</u>	<u>70,962</u>	<u>936,049</u>
Operating Cash Disbursements:				
Personal Services	369,212			369,212
Contractual Services	144,827	216,383		361,210
Supplies and Materials	199,247			199,247
Capital Outlay	17,992			17,992
Miscellaneous			70,962	70,962
Total Operating Cash Disbursements	<u>731,278</u>	<u>216,383</u>	<u>70,962</u>	<u>1,018,623</u>
Operating Income/(Loss)	<u>(97,266)</u>	<u>14,692</u>	<u>0</u>	<u>(82,574)</u>
Non-Operating Cash Receipts:				
Other Non-Operating Receipts		1,159		1,159
Non-Operating Cash Disbursements:				
Debt Service	71,030			71,030
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(168,296)	15,851	0	(152,445)
Transfers-In	41,743	207,398		249,141
Net Receipts Over/(Under) Disbursements	(126,553)	223,249	0	96,696
Fund Cash Balances, January 1	756,088	104,112	0	860,200
Fund Cash Balances, December 31	<u>\$629,535</u>	<u>\$327,361</u>	<u>\$0</u>	<u>\$956,896</u>
Reserves for Encumbrances, December 31	<u>\$43,727</u>	<u>\$26,080</u>	<u>\$0</u>	<u>\$69,807</u>

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

**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, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$131,460	\$1,867,366		\$1,998,826
Intergovernmental Receipts	269,226	195,738		464,964
Charges for Services	45,980	30,278		76,258
Fines, Licenses, and Permits	63,566	9,380		72,946
Earnings on Investments	221,930	26,316		248,246
Miscellaneous	64,231	11,831	\$1,875	77,937
Total Cash Receipts	<u>796,393</u>	<u>2,140,909</u>	<u>1,875</u>	<u>2,939,177</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	793,570			793,570
Public Health Services	15,863	127,871		143,734
Leisure Time Activities		55,653		55,653
Community Environment	4,450			4,450
Basic Utility Services	11,330			11,330
Transportation		304,236		304,236
General Government	209,112	61,360		270,472
Debt Service:				
Principal and Interest Payments			280,243	280,243
Capital Outlay	8,952	124,544	281,374	414,870
Total Cash Disbursements	<u>1,043,277</u>	<u>673,664</u>	<u>561,617</u>	<u>2,278,558</u>
Total Receipts Over/(Under) Disbursements	<u>(246,884)</u>	<u>1,467,245</u>	<u>(559,742)</u>	<u>660,619</u>
Other Financing Receipts and (Disbursements):				
Refund of prior year receipts			92,307	92,307
Transfers-In	801,600	281,672	825,216	1,908,488
Transfers-Out	(306,867)	(1,670,000)	0	(1,976,867)
Other Financing Uses			(17,148)	(17,148)
Total Other Financing Receipts/(Disbursements)	<u>494,733</u>	<u>(1,388,328)</u>	<u>900,375</u>	<u>6,780</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	247,849	78,917	340,633	667,399
Fund Cash Balances, January 1	889,517	649,611	1,273,153	2,812,281
Fund Cash Balances, December 31	<u>\$1,137,366</u>	<u>\$728,528</u>	<u>\$1,613,786</u>	<u>\$3,479,680</u>
Reserves for Encumbrances, December 31	<u>\$61,288</u>	<u>\$21,520</u>	<u>\$76,680</u>	<u>\$159,488</u>

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

**VILLAGE OF MINERVA
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FUDICIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Types		Fudiciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Cash Receipts:				
Charges for Services	\$649,016	\$186,000		\$835,016
Fines, Licenses, and Permits			\$69,202	69,202
Miscellaneous	8,335	171,206		179,541
Total Operating Cash Receipts	<u>657,351</u>	<u>357,206</u>	<u>69,202</u>	<u>1,083,759</u>
Operating Cash Disbursements:				
Personal Services	369,121			369,121
Fringe Benefits				0
Contractual Services	136,992	389,277		526,269
Supplies and Materials	196,961			196,961
Capital Outlay	22,781			22,781
Miscellaneous			69,202	69,202
Total Operating Cash Disbursements	<u>725,855</u>	<u>389,277</u>	<u>69,202</u>	<u>1,184,334</u>
Operating Income/(Loss)	<u>(68,504)</u>	<u>(32,071)</u>	<u>0</u>	<u>(100,575)</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	<u>915</u>			<u>915</u>
Non-Operating Cash Disbursements:				
Debt Service	<u>71,030</u>			<u>71,030</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(138,619)	(32,071)	0	(170,690)
Transfers-In	<u>61,802</u>	<u>6,577</u>		<u>68,379</u>
Net Receipts (Under) Disbursements	(76,817)	(25,494)	0	(102,311)
Fund Cash Balances, January 1	<u>832,905</u>	<u>129,606</u>	<u>0</u>	<u>962,511</u>
Fund Cash Balances, December 31	<u>\$756,088</u>	<u>\$104,112</u>	<u>\$0</u>	<u>\$860,200</u>
Reserve for Encumbrances, December 31	<u>\$137,234</u>	<u>\$31,868</u>	<u>\$0</u>	<u>\$169,102</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, 2001 AND 2000**

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 to exercise 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), fire and police services.

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

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 Notes 10 through 12. These organizations include:

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

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

B. Basis of Accounting

These financial statements follow the 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).

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

C. Cash and Investments

Certificates of deposit are valued at cost.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operation fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure 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 operations, maintenance, new equipment and capital improvements of the Village.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

Capital Improvement Fund - This fund receives revenues from income tax allocations. This fund is designed to account for various capital improvements throughout the Village.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

5. 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.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following significant 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 local governments.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	2001	2000
Demand deposits	\$236,097	\$156,140
Certificates of deposit	3,708,740	4,183,740
Total deposits	\$3,944,837	\$4,339,880

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,307,675	\$1,504,463	\$196,788
Special Revenue	2,356,266	2,313,522	(42,744)
Capital Projects	757,249	612,848	(144,401)
Enterprise	714,700	675,755	(38,945)
Internal Service	432,075	439,632	7,557
Fiduciary	73,000	70,962	(2,038)
Total	\$5,640,965	\$5,617,182	(\$23,783)

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,759,683	\$1,521,867	\$237,816
Special Revenue	2,541,345	2,375,712	165,633
Capital Projects	1,244,980	1,149,271	95,709
Enterprise	916,334	846,035	70,299
Internal Service	360,868	242,463	118,405
Fiduciary	73,000	70,962	2,038
Total	<u>\$6,896,210</u>	<u>\$6,206,310</u>	<u>\$689,900</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,346,707	\$1,597,993	\$251,286
Special Revenue	2,414,985	2,422,581	7,596
Capital Projects	1,445,103	919,398	(525,705)
Enterprise	700,500	720,068	19,568
Internal Service	437,000	363,783	(73,217)
Fiduciary	69,202	69,202	0
Total	<u>\$6,413,497</u>	<u>\$6,093,025</u>	<u>(\$320,472)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,585,178	\$1,411,432	\$173,746
Special Revenue	2,513,918	2,365,184	148,734
Capital Projects	1,226,930	655,445	571,485
Enterprise	1,091,178	934,119	157,059
Internal Service	477,115	421,145	55,970
Fiduciary	69,202	69,202	0
Total	<u>\$6,963,521</u>	<u>\$5,856,527</u>	<u>\$1,106,994</u>

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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 rates 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 the 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.

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a quarter 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, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$329,771	7.86%
Police Station Facility Construction Loan	25,000	5.00%
Fire Station Facility Construction Loan	<u>45,893</u>	4.50%
Total	<u><u>\$400,664</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a loan of \$704,713 in 1988. The loan will be repaid in semiannual installments of \$35,515, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village also had two commercial loans relating to the construction of the police station facility and the fire station facility. Significant payments on these loans were made during 2001 and 2000, with the remaining balances to be paid off in 2002.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

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

	<u>OWDA Loan</u>	<u>Police Station Construction Loan</u>	<u>Fire Station Construction Loan</u>
Year ending December 31:			
2002	\$71,030	\$28,200	\$45,893
2003	71,030		
2004	71,030		
2005	71,030		
2006	71,030		
2007 - 2010	142,060		
Total	<u>\$497,210</u>	<u>\$28,200</u>	<u>\$45,893</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are 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 also prescribed by the Ohio Revised Code. For 2001 and 2000, OP&F participants were required to contribute 10% of their wages, of which the Village picked up 3%. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members were required to contribute 8.5% of their wages, of which the Village picked up 3%. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions
- Boiler and Machinery
- Inland Marine
- Crime

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

8. RISK MANAGEMENT (Continued)

Self Insurance

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

	<u>2001</u>	<u>2000</u>
Cash and investments	\$327,361	\$104,112
Actuarial liabilities	\$4,326	\$19,824

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be significant.

10. STARK COUNCIL OF GOVERNMENTS

The Stark Council of Governments (SCOG) is a jointly governed organization. SCOG is a regional council of governments formed under chapter 167 of the Ohio Revised Code. Currently, SCOG's functions include the funding and operation of the Stark County Metropolitan Narcotics Unit and the 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.

11. STARK COUNTY REGIONAL PLANNING COMMISSION

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 principle 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 designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**VILLAGE OF MINERVA
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

12. CARROLL COUNTY REGIONAL PLANNING COMMISSION

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 cities, villages, and townships. The principle aim of the Commission is to provide comprehensive planning, both long and short term range, dealing with the economic and 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 designating management. The Village has no financial responsibility for any the Commission's liabilities. Complete financial statements can be obtained from the Carroll County Regional Planning Commission, Carroll County, Ohio.

13. NONCOMPLIANCE

Contrary to Village Codified Ordinance Section 181.07, the Village did not implement procedures to ensure all potential taxpayers file income tax returns.

Contrary to Village Codified Ordinance Section 181.08, the Village Income Tax Administrator did not always have accurate records of monies received.

Contrary to Village Codified Ordinance Section 181.10, the Village Income Tax Administrator did not always impose interest and penalties on returns filed after the deadline or on delinquent accounts.

Contrary to Ohio Rev Code Section 731.141, the Village did not competitively bid two projects that ultimately exceeded \$15,000. In addition, change orders were used to expand the scope of a previously awarded contract.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Minerva, Stark County, Ohio, (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 27, 2002. We conducted our audits 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.

Compliance

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 and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-31276-001 and 2001-31276-002.

We also noted an immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated August 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 27, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 27, 2002

VILLAGE OF MINERVA
STARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

NONCOMPLIANCE CITATIONS

FINDING NUMBER 2001-31276-001

Village Codified Ordinance, Chapter 181, Income tax provides guidelines for administering the Village's income tax. The Village did not comply with the following provisions of Chapter 181:

Section 181.07 states that every person who anticipates any taxable income which is not subject to Section 181.06, or who engages in any business, profession, enterprise, or activity subject to tax imposed by Section 181.03 shall file a declaration setting forth such estimated income or the estimated profit or loss from such business activity together with the estimated tax due thereon.

During the audit period, there were no procedures in place to monitor that all potential taxpayers filed returns, and there was no tracking system or data base which provides taxpayers information by account number.

Section 181.08 states that it shall be the duty of the Village Income Tax Administrator to receive and keep accurate records of monies received, and administer taxes imposed by Chapter 181.

During the audit period, the following deficiencies were noted:

- There was a significant lag of time between the date stamped on the tax return and the deposit date of the tax collected for 25% of the transactions tested, which is also contrary to Ohio Rev. Code Section 9.38 which requires that any public official or employee who collects or receives payments due to the public to deposit all money received with the treasurer of the public office or properly designated depository on the next business day following the day of receipt.
- Twenty-five tax returns filed in April 2001 were found in a file after the former Income Tax Administrator retired. These tax returns and the corresponding checks in the amount of \$52,980 were not deposited by the Village until September 1, 2001.
- Ten checks were found in the drawer on September 19, 2001, from April 2000 in the amount of \$12,193.

Section 181.10 states that all taxes imposed and all monies withheld or required to be withheld by employers under the provisions of this chapter and remaining unpaid after they become due shall bear interest at the rate of one and one-half of one percent (1.5%) per month or fraction thereof.

The former Village Income Tax Administrator did not always impose interest and penalties on returns filed after the deadline or on delinquent accounts.

FINDING NUMBER 2001-31276-001 (Continued)

The Income Tax Administrator should enforce all sections of the Village Codified Ordinance 181. It is also the responsibility of the Village Administrator to oversee and monitor operations of the Village, therefore, the Village Administrator should monitor the accuracy and the completeness of the collections and deposits. The Village should enforce the requirements of Ohio Rev. Code Section 9.38 or adopt a policy which allows departments to deposit monies collected outside the period of collection while safeguarding cash. The Village should refer to Auditor of State Bulletin 1999-020 for guidance.

FINDING NUMBER 2001-31276-002

Ohio Rev. Code Section 731.141 establishes guidelines for the bidding and awarding of purchases, projects and contracts exceeding \$15,000. The following conditions were noted which were contrary to these requirements:

- During 2001, the Village Council approved two change orders totaling \$94,515 to extend the reconstruction of the Grant Boulevard Project for two additional street lengths which were not included in the original bid specifications.
- The Village Council did not competitively bid a project to upgrade the heating and air conditioning system on the main floor of the Village Hall. The project was approved by Council not to exceed \$14,270. However, a change order for \$3,700 adding new duct work, Option C on the original proposal, was subsequently approved by the Village Administrator increasing the project cost to \$17,970, which exceeded the \$15,000 requirement.
- The Village Council did not competitively bid a project to install a fence around a drainage pond. The contractor's proposal total was in the amount of \$16,698. Therefore, the Village Administrator should have been aware that costs were expected to exceed \$15,000. The total final cost of the project was \$17,813.

The Village should not use change orders to expand the scope of a previously awarded contract; rather, the expansion of a project should be undertaken as a separate contract. In addition, the Village should seek bids for projects that are estimated near the \$15,000 limit.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 8, 2002**