



Mary Taylor, CPA
Auditor of State

VILLAGE OF MANTUA
PORTAGE COUNTY

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Mary Taylor, CPA
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Village of Mantua
Portage County
4650 West High Street
P.O. Box 775
Mantua, Ohio 44255

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

October 19, 2007

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Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mantua
Portage County
4650 West High Street
P.O. Box 775
Mantua, Ohio 44255

To the Village Council:

We have audited the accompanying financial statements of the Village of Mantua, Portage County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position or cash flows, where applicable 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 Mantua, Portage County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 19, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 19, 2007

VILLAGE OF MANTUA
PORTAGE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$60,729	\$15,751				\$76,480
Municipal Income Tax	680,016					680,016
Intergovernmental	138,327	115,451				253,778
Charges for Services	42,694	6,410		\$6,592		55,696
Fines, Licenses and Permits	26,223					26,223
Earnings on Investments	13,908	1,037			\$1,641	16,586
Miscellaneous				1,975		1,975
Total Cash Receipts	961,897	138,649	\$0	8,567	1,641	1,110,754
Cash Disbursements:						
Current:						
Security of Persons and Property	572,621					572,621
Public Health Services		21,245				21,245
Leisure Time Activities	31,944			175		32,119
Community Environment	5,811					5,811
Transportation	5,608	157,108				162,716
General Government	258,474					258,474
Debt Service:						
Redemption of Principal	6,260	4,407	2,000			12,667
Interest and Fiscal Charges	788	195	6,245			7,228
Capital Outlay		4,129		459,763		463,892
Total Cash Disbursements	881,506	187,084	8,245	459,938	0	1,536,773
Total Receipts Over/(Under) Disbursements	80,391	(48,435)	(8,245)	(451,371)	1,641	(426,019)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Sale of Bonds				210,000		210,000
Sale of Notes		15,800		75,000		90,800
Transfers-In		38,000	8,245	41,683		87,928
Transfers-Out	(137,928)					(137,928)
Advances-In	146,000	30,000		97,000		273,000
Advances-Out	(126,000)	(35,000)		(112,000)		(273,000)
Other Financing Sources	27,559	113		3,387		31,059
Total Other Financing Receipts / (Disbursements)	(90,369)	48,913	8,245	315,070	0	281,859
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,978)	478	0	(136,301)	1,641	(144,160)
Fund Cash Balances, January 1	(47,713)	165,819	(14,177)	222,061	22,538	348,528
Fund Cash Balances, December 31	(\$57,691)	\$166,297	(\$14,177)	\$85,760	\$24,179	\$204,368
Reserve for Encumbrances, December 31	\$30,675	\$16,671	\$0	\$700	\$0	\$48,046

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$780,059		\$780,059
Fines, Licenses and Permits	180		180
Miscellaneous	10,174		10,174
Total Operating Cash Receipts	<u>790,413</u>	<u>\$0</u>	<u>790,413</u>
Operating Cash Disbursements:			
Personal Services	118,165		118,165
Employee Fringe Benefits	46,340		46,340
Contractual Services	72,959		72,959
Supplies and Materials	51,742	265	52,007
Total Operating Cash Disbursements	<u>289,206</u>	<u>265</u>	<u>289,471</u>
Operating Income/(Loss)	<u>501,207</u>	<u>(265)</u>	<u>500,942</u>
Non-Operating Cash Receipts:			
Earnings on Investments	219		219
Sale of Notes	31,600		31,600
Other Non-Operating Cash Receipts	1,290		1,290
Total Non-Operating Cash Receipts	<u>33,109</u>	<u>0</u>	<u>33,109</u>
Non-Operating Cash Disbursements:			
Capital Outlay	63,795		63,795
Redemption of Principal	419,268		419,268
Interest and Other Fiscal Charges	73,078		73,078
Total Non-Operating Cash Disbursements	<u>556,141</u>	<u>0</u>	<u>556,141</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(21,825)	(265)	(22,090)
Transfers-In	368,092		368,092
Transfers-Out	(318,092)		(318,092)
Net Receipts Over/(Under) Disbursements	28,175	(265)	27,910
Fund Cash Balances, January 1	<u>91,989</u>	<u>10,043</u>	<u>102,032</u>
Fund Cash Balances, December 31	<u>\$120,164</u>	<u>\$9,778</u>	<u>\$129,942</u>
Reserve for Encumbrances, December 31	<u>\$45,195</u>	<u>\$0</u>	<u>\$45,195</u>

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

VILLAGE OF MANTUA
PORTAGE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Property and Local Taxes	\$59,324	\$15,691				\$75,015
Municipal Income Tax	615,853					615,853
Intergovernmental	153,687	103,643		\$9,425		266,755
Charges for Services	45,350	5,191		6,778		57,319
Fines, Licenses and Permits	24,850					24,850
Earnings on Investments	25,348	276			\$1,297	26,921
Miscellaneous	3,091	6,971		1,312		11,374
Total Cash Receipts	927,503	131,772	\$0	17,515	1,297	1,078,087
Cash Disbursements:						
Current:						
Security of Persons and Property	548,169					548,169
Public Health Services	204	27,798				28,002
Leisure Time Activities	34,073			150	3,000	37,223
Community Environment	6,088					6,088
Basic Utility Service						0
Transportation	6,976	138,374				145,350
General Government	231,968					231,968
Debt Service:						
Redemption of Principal	9,380	6,404	12,000			27,784
Interest and Fiscal Charges	422	456	15,725			16,603
Capital Outlay				203,519		203,519
Total Cash Disbursements	837,280	173,032	27,725	203,669	3,000	1,244,706
Total Receipts Over/(Under) Disbursements	90,223	(41,260)	(27,725)	(186,154)	(1,703)	(166,619)
Other Financing Receipts / (Disbursements):						
Proceeds from Sale of Public Debt:						
Transfers-In		35,000	34,363	9,962		79,325
Transfers-Out	(119,363)			(9,962)		(129,325)
Other Financing Sources	4,554	314				4,868
Total Other Financing Receipts / (Disbursements)	(114,809)	35,314	34,363	0	0	(45,132)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(24,586)	(5,946)	6,638	(186,154)	(1,703)	(211,751)
Fund Cash Balances, January 1	(23,127)	171,765	(20,815)	408,215	24,241	560,279
Fund Cash Balances, December 31	(\$47,713)	\$165,819	(\$14,177)	\$222,061	\$22,538	\$348,528
Reserve for Encumbrances, December 31	\$29,568	\$4,265	\$0	\$300	\$0	\$34,133

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$786,925		\$786,925
Fines, Licenses and Permits	912		912
Miscellaneous	6,590	\$169	6,759
Total Operating Cash Receipts	<u>794,427</u>	<u>169</u>	<u>794,596</u>
Operating Cash Disbursements:			
Personal Services	119,873		119,873
Employee Fringe Benefits	57,064		57,064
Contractual Services	83,019	15	83,034
Supplies and Materials	57,415	4,840	62,255
Other		815	815
Total Operating Cash Disbursements	<u>317,371</u>	<u>5,670</u>	<u>323,041</u>
Operating Income/(Loss)	<u>477,056</u>	<u>(5,501)</u>	<u>471,555</u>
Non-Operating Cash Receipts:			
Earnings on Investments	413		413
Sale of Notes	143,277		143,277
Miscellaneous Receipts	196	12,048	12,244
Other Non-Operating Cash Receipts	4,817		4,817
Total Non-Operating Cash Receipts	<u>148,703</u>	<u>12,048</u>	<u>160,751</u>
Non-Operating Cash Disbursements:			
Capital Outlay	245,250	2,248	247,498
Redemption of Principal	432,310		432,310
Interest and Other Fiscal Charges	78,908		78,908
Total Non-Operating Cash Disbursements	<u>756,468</u>	<u>2,248</u>	<u>758,716</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(130,709)	4,299	(126,410)
Transfers-In	352,544		352,544
Transfers-Out	(302,544)		(302,544)
Advances-In	55,000		55,000
Advances-Out	(55,000)		(55,000)
Net Receipts Over/(Under) Disbursements	(80,709)	4,299	(76,410)
Fund Cash Balances, January 1	<u>172,698</u>	<u>5,744</u>	<u>178,442</u>
Fund Cash Balances, December 31	<u>\$91,989</u>	<u>\$10,043</u>	<u>\$102,032</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

Jointly Governed Organization:

The Village participates in one jointly governed organization. Note 11 to the financial statements provides additional information about this entity. The Village is a member of the Mantua-Shalersville Fire District, which provides for fire protection and EMS services to Village residents.

Public Entity Risk Pool:

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program. Note 8 to the financial statements provides additional information about this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

VLLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village 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. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Police Capital Improvement Fund – This fund receives proceeds of general obligation notes. The proceeds are used for the purchase of equipment for the police department.

New Administration Building Fund – This fund receives proceeds of general obligation bonds. The proceeds are being used to construct a new municipal building.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

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

VLLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Enterprise Improvement Fund - This fund is used to account for debt activity related to water improvement.

Enterprise Sewer Improvement Fund - This fund is used to account for debt activity related to sewer improvement.

7. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Shade Tree Commission.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

VLLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	(\$17,615)	(\$11,262)
Savings Accounts	115,434	36,076
Certificates of deposit	236,491	425,746
Total deposits and investments	<u>\$334,310</u>	<u>\$450,560</u>

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

Investments: The Village invests in certificates of deposit.

**VLLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,097,410	\$989,456	(\$107,954)
Special Revenue	483,202	192,562	(290,640)
Debt Service	38,034	8,245	(29,789)
Capital Projects	521,043	338,637	(182,406)
Enterprise	1,363,407	1,191,614	(171,793)
Permanent	38,286	1,641	(36,645)
Total	\$3,541,382	\$2,722,155	(\$819,227)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,097,410	\$1,050,109	\$47,301
Special Revenue	483,202	203,755	279,447
Debt Service	38,034	8,245	29,789
Capital Projects	521,043	460,638	60,405
Enterprise	1,363,407	1,208,634	154,773
Permanent	38,286	0	38,286
Total	\$3,541,382	\$2,931,381	\$610,001

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$997,127	\$932,057	(\$65,070)
Special Revenue	283,382	167,086	(116,296)
Debt Service	123,654	34,363	(89,291)
Capital Projects	521,453	27,477	(493,976)
Enterprise	1,381,309	1,295,674	(85,635)
Permanent	4,438	1,297	(3,141)
Total	\$3,311,363	\$2,457,954	(\$853,409)

**VLLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$997,127	\$986,211	\$10,916
Special Revenue	283,382	177,297	106,085
Debt Service	123,654	27,725	95,929
Capital Projects	521,453	213,931	307,522
Enterprise	1,381,309	1,376,383	4,926
Permanent	4,438	3,000	1,438
Total	\$3,311,363	\$2,784,547	\$526,816

Contrary to Ohio law, certification of purchase orders is not always taking place. Also contrary to Ohio law, at December 31, 2006, the General Fund had a cash deficit balance of \$57,691; the General Obligation Bond Retirement Fund had a cash deficit fund balance of \$14,656; and the Franklin Street Water Fund had a deficit fund balance of \$2,495. In addition, at December 31, 2005, the General Fund had a cash deficit balance of \$47,713; the General Obligation Bond Retirement Fund had a cash deficit fund balance of \$14,656; and the Franklin Street Water Fund had a deficit fund balance of \$2,550.

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.

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 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.

**VLLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$388,000	5.75%
General Obligation Bonds	208,000	4.40%
Ohio Water Development Authority Loan	894,005	2.00%
Ohio Water Development Authority Loan	4,509,228	0.68%
Ohio Water Development Authority Loan	39,534	8.35%
Ohio Water Development Authority Loan	437,269	3.03%
Ohio Public Works Commission Loan	135,000	0.00%
Ohio Public Works Commission Loan	101,750	0.00%
General Obligation Notes- 2002 Dump Truck	586	5.00%
General Obligation Notes- 2006 Police Cruisers	70,708	4.75%
General Obligation Notes - 2006 Truck	47,550	5.00%
Total	<u>\$6,831,630</u>	

The Ohio Water Development Authority (OWDA) loans relate to water plant construction, Mill Street water project, waste-water treatment plant expansion project, waste-water treatment plant improvements and Waterline Loops and reservoir Pump Station that were mandated by the Ohio Environmental Protection Agency. The OWDA approved a total of \$8,331,731 in loans to the Village for these projects. The Village will repay the plant construction loan in semiannual payment totaling \$91,348 each year, including interest, over 11 years. The Village will repay the waste-water treatment plant expansion project loan in semiannual payment totaling \$317,055 each year, including interest, over 16 years. The Village will repay the waste-water treatment plant improvements loan in semiannual payment totaling \$22,275 each year, including interest, over 2 years. The Village will repay the Waterline Loops and reservoir Pump Station loan in semiannual payment totaling \$36,490 each year, including interest, over 18 years. The scheduled payment amount below assumes that \$5,919,412 will be borrowed for the wastewater treatment plant expansion project. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

The Ohio Public Works Commission Loans (OPWC), relate to projects on the water treatment plant and waste-water treatment plant expansion projects. The OPWC approved a total of \$335,000 in loans for these projects which are collateralized by the Village's water and sewer receipts.

The promissory notes are not collateralized. The promissory notes were used to purchase two police cruisers, a dump truck, and a truck.

**VLLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	OWDA Loans	General Obligation Bonds	OPWC Loans	Promissory Notes
2007	\$467,167	\$43,047	\$16,750	\$32,221
2008	467,167	43,276	16,750	31,592
2009	444,893	42,462	16,750	31,592
2010	444,893	42,649	16,750	26,343
2011	444,893	42,793	16,750	10,783
2012 - 2016	2,224,465	215,453	83,750	
2017 - 2021	1,859,074	214,285	46,750	
2022 - 2026	407,474	155,053	22,500	
2027 - 2031		64,588		
2032 - 2035		51,148		
Total	<u>\$6,760,026</u>	<u>\$914,754</u>	<u>\$236,750</u>	<u>\$132,531</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 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

**VLLAGE OF MANTUA
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT - (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	2005	2004
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

9. JOINTLY GOVERNED ORGANIZATIONS

Mantua-Shalersville Fire District (the District): The District provides fire and EMS services to its members. District members include Village of Mantua, Mantua Township, and Shalersville Township. The District is governed by a three-member board consisting of one official from each member's elected governing body. The District is solely funded by voter approved tax levies. No funding is received from District members.

10. SUBSEQUENT EVENTS

The Village is currently experiencing certain negative financial conditions. As of December 31, 2006 the following funds had negative cash balances:

Fund	Deficit
General	\$ 57,691
General Obligation Bond Retirement	14,656
Enterprise – Franklin Street Water	2,495

VLLAGE OF MANTUA
PORTAGE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

10. SUBSEQUENT EVENTS – (Continued)

During the nine month period ending September 30, 2007 the Village reflected deficit cash balances as of that date in the following funds:

Fund	Deficit
General	\$ 54,734
General Obligation Bond Retirement	14,656
Enterprise – Franklin Street Water	8,204

Also, during calendar 2008 the Village will be losing a major employer whose income tax contributions to the General Fund account for approximately \$200,000 to \$250,000 per annum. In addition, another corporation has requested a \$95,000 refund from the Village which resulting from the overpayment of income taxes from prior years. Along with the General Fund, the Water and Sewer Operating funds will lose revenue in the approximate amount of \$21,000 and \$85,000, respectively from calendar 2008 forward.

Management is in the process of formulating an action plan which will address the loss of revenue as they move forward into the future. Some of the ideas at the present time include removing the ½ percent credit on income tax, placing a levy on the ballot to raise the income tax from 1.5% to 2%, selling the old administration building, and increasing the amount of contribution from employees for medical insurance premiums.



Mary Taylor, CPA

Auditor of State

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

Village of Mantua
Portage County
4650 West High Street
P.O. Box 775
Mantua, Ohio 44255

To the Village Council:

We have audited the financial statements of the Village of Mantua (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 19, 2007 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Village's management in a separate letter dated October 19, 2007.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 19, 2007

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 19, 2007

**VILLAGE OF MANTUA
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Rev. Code § 5705.10(H) states money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Numerous adjustments were required to be made to the Village's December 31, 2005 and 2006 financial statements as a result of improper transfers, posting errors to incorrect funds, and inconsistencies in the use of individual funds by the Village. As a result of the adjustments, the following adjusted fund balances had negative fund balances at December 31, 2005 and 2006.

Negative Fund Balances at 12/31/2005:

Fund #	Fund Name	Fund Balance
1000	General Fund	(\$47,713)
3101	General Obligation Bond Retirement Fund	(\$14,656)
5703	Franklin Street Water	(\$ 2,550)

Negative Fund Balances at 12/31/2006:

Fund #	Fund Name	Fund Balance
1000	General Fund	(\$57,691)
3101	General Obligation Bond Retirement Fund	(\$14,656)
5703	Franklin Street Water	(\$ 2,550)

The Village should review the current financial status of its funds and should be cognizant of the revenue sources collected in comparison to the expenditures incurred in order to maintain the general services of the Village. We also recommend the Village review their budget activity to ensure there are no negative fund balances during the year. Negative fund balances may be prevented through the use of advances of monies from the general fund.

Client Response:

These negative fund balances stem principally from an ongoing negative balance in the General Fund tracing back 4+ years. To counteract this, Council must both reduce spending from the General Fund to absolute necessities and, in addition, attempt to enhance revenues through sale of the old Village Hall, revising the income tax ordinance, the use of JEDDs, and other growth-positive programs. A financial reporting system to Council which is both accurate and easy-to-understand will assist Council in its goal of a positive General Fund balance before the next audit. Provisions of **ORC 5705.10(H)** shall be carefully observed.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code § 5705.41 (D), states no orders or contracts involving the expenditure of money are to be made unless a certificate signed by the fiscal officer is attached. The fiscal officer must certify that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 (\$1,000 prior to April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always encumber funds at the time of the commitment. We noted 23 of 77 (30%) expenditures tested were not properly encumbered. Of the 23 expenditures not properly encumbered, the Village provided for a "then and now" certificate for 5 expenditures. However, in each of the 5 expenditures, the Village created a Then and Now for amounts exceeding \$3,000 without the approval of Council. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

**FINDING NUMBER 2006-002
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the fiscal officer certify the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response:

Mantua Village management (Police Chief, Village Administrator, Clerk/Treasurer) will institute and faithfully use the procurement reporting system as set forth in **ORC 5705.41(D)**. Further, the Clerk/Treasurer will certify to the Council Finance Committee monthly, that the system is being successfully employed. Review spending limits.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code §§ 731.14 stipulates, in pertinent part, that all contracts made by the legislative authority of a village, exceeding \$25,000 and not subject to an enumerated exception, are subject to competitive bidding procedures. Such contracts shall be in writing and made with the lowest and best bidder after a Village must advertising for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the Village. The bids shall be opened and publicly read by the clerk of the village or a person designated by the clerk at the time, date, and place specified in the advertisement to bidders.

Additionally, the Village was required by statute to obtain and include prevailing wage rates for several of the projects. The prevailing wage law applies to any new construction of a public improvement fairly estimated to cost more than \$69,853, and any renovation of a public improvement fairly estimated to cost more than \$20,955. The Village, however, only included the prevailing wage requirement for the elevator contract. By not including prevailing wage rates for the remaining applicable projects the Village failed to comply with Ohio Revised Code § 4115.04.

In order to comply with statutory requirements, we recommend the Village bid any project that will cost more than \$25,000. Additionally, we recommend that the Village review the prevailing wage laws and ensure they include such information for all qualifying contracts.

**FINDING NUMBER 2006-003
(Continued)**

Client Response:

Council was assured at the time, and continues to believe, that the totally unique method of “financing” the new Village Hall reconstruction (use of a laid-off Chrysler Corp employee, Mike McCauley, as the General Contractor) delivered the least expensive and most cost-effective project for the citizens of Mantua. Any abuses of the applicable provisions of the **ORC** were entirely innocent. In the future, Mantua Village will carefully observe statutory provisions regarding project bidding and prevailing wage.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Revised Code § 731.12 states that no member of the legislative authority of a village shall hold any other public office, be interested in any contract with the village, or hold employment with the village, except that a council member may be a notary public, a member of the state militia or an unpaid volunteer fireman.

Linda Schilling, Council Member, also held employment in the village in the following positions: part-time police dispatcher, cleaning person, and park manager. As stated above, village council members may not, except for limited exceptions, hold other employment within the village. As such, the Village failed to comply with Ohio Revised Code § 731.12.

We recommend that the Village review this statutory provision and ensure that no member of council holds any other position/office within the Village.

Client Response:

Council acknowledges that **ORC 731.12** prohibits members of a Village Council from other Village employment and there was lively debate in executive session on this topic. The former Village Solicitor, at the time Ms. Schilling began her employment with the Village, provided a written opinion that approved Ms. Schilling’s employment by the Village. Upon his hire, the new Village Solicitor promptly reversed this understanding and Ms. Schilling’s other employment by the Village was terminated

FINDING NUMBER 2006-005

Noncompliance Citation

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Revised Code § 2921.42(A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Revised Code § 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

FINDING NUMBER 2006-005

Public employment constitutes a “public contract” for these purposes.

Linda Schilling, Council Member, voted on and approved her own additional employment with the Village. Ms. Schilling voted to employ herself in the following positions:

- Part-Time Police Dispatcher – hourly wage of \$10.18
- Village Cleaning Person – hourly wage of \$10.18
- Park Manager – salary of \$350/month.

Mrs. Schilling earned a total of \$4,555 during calendar year 2006. Of the \$4,555, \$480 of pay related directly to Council pay and the remaining \$4,075 related to the additional employment noted above. This is in violation of Ohio Revised Code §§ 2921.42(A)(1) and 2921.42(A)(4).

We recommend Village Council review these statutory provisions and ensure that no member of council knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Client Response:

Council erred in allowing Ms. Schilling to vote on the various Bills of Resolution which included her compensation. As noted in Item 2006-004 (above) Council was operating under the understanding that her employment was permitted, but should have adhered more carefully to the provisions of **ORC 2921.42(A)(1) & (4)**. Now that the Council is better informed, no future errors of this nature will occur.

**VILLAGE OF MANTUA
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Village not posting all benefits received from monies expended on their behalf by OWDA	No	Partially corrected. Put in the Management letter for the current year because immaterial in 2005 and no concerns in 2006.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MANTUA

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 17, 2008