



Dave Yost • Auditor of State

**Village of Mantua
Portage County
Termination of Fiscal Watch**

Local Government Services Section

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Village of Mantua, Portage County

Termination of Fiscal Watch

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Dave Yost • Auditor of State

Termination of Fiscal Watch

Pursuant to a request from the Mayor of the Village of Mantua to remove the Village from fiscal watch, the Auditor of State has conducted a review of the financial condition of the Village as of December 31, 2012. This review has determined that the Village of Mantua no longer meets the fiscal watch conditions set forth in Section 118.022 of the Ohio Revised Code. Accordingly, the Village of Mantua's status of fiscal watch is hereby terminated as of April 10, 2013.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted and filed with Linda Clark, Mayor of the Village of Mantua, and the Portage County Budget Commission.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

April 10, 2013

Village of Mantua, Portage County

Termination of Fiscal Watch

Introduction

Section 118.022 of the Ohio Revised Code describes four conditions which give reason for placing a Village in fiscal watch. These conditions are: 1) significant accounts that have been due and payable for more than thirty days; 2) substantial deficit fund balances; 3) positive fund balances which exceed the balance in money and marketable securities held by the Village; and 4) a forecasted deficit in the Village's general fund for the current year.

On August 26, 2008, the Village of Mantua was declared to be in fiscal watch because a review of the Village's financial condition indicated that the Village had significant accounts that have been due and payable for more than thirty days and substantial deficit fund balances as of December 31, 2007.

On October 24, 2012, the Mayor of the Village of Mantua requested that the Auditor of State perform a review of the Village's financial condition as of December 31, 2012, to determine if the Village's improved financial condition justifies release from fiscal watch. In order to be removed from fiscal watch, all conditions placing the Village in fiscal watch must be eliminated.

This report provides a detailed description of each condition, the specific procedures performed to determine if any of the conditions still existed as of December 31, 2012, and the corresponding results of our analysis.

General and Special Funds Accounts Payable

Section 118.022(A)(1) of the Ohio Revised Code defines a fiscal watch condition as the existence of either of the following situations:

- (a) All accounts that were due and payable from the general fund of a municipal corporation, county, or township at the end of the preceding fiscal year that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund, exceeded one-twelfth of the general fund budget for that year.
- (b) All accounts that were due and payable at the end of the preceding fiscal year from all funds of a municipal corporation, county, or township and that had been due and payable for at least thirty days at the end of the fiscal year or to which a penalty was added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in the respective special funds available to pay those accounts, exceeded one-twelfth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts are payable.

A schedule was prepared of all accounts payable as of December 31, 2012, that were due and payable from the general fund and from all funds, and that had been due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2012, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities, including any interest and penalties. There were no accounts payable due from the general fund or any special funds which were at least thirty days past due at the end of the year.

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(1)(a) or Section 118.022(A)(1)(b) of the Ohio Revised Code as of December 31, 2012. There were no accounts payable due from the general fund or any special funds which were at least thirty days past due at the end of the year.

Deficit Fund Balances

Section 118.022(A)(2) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Ohio Revised Code to meet such deficit, exceeded one-twelfth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We examined the Village's cash summary report by fund for any deficit funds. The Village had no deficit fund balances as of December 31, 2012.

Conclusion: A fiscal watch condition does not exist under Section 118.022(A)(2) of the Ohio Revised Code as of December 31, 2012. All funds had positive balances at year end.

Treasury Deficiency

Section 118.022(A)(3) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of a municipal corporation, county, or township, minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds, the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-twelfth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We calculated the unsegregated treasury balance of the Village as of December 31, 2012. From the treasury balance, we subtracted the aggregate sum of all positive fund balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficiency.

Village of Mantua, Portage County

Termination of Fiscal Watch

Schedule I

Treasury Balance
Ohio Revised Code Section 118.022(A)(3)
As of December 31, 2012

	<u>Amounts at December 31, 2012</u>
Treasury Balance:	
Middlefield General Account	\$365,273
Middlefield Certificates of Deposit	33,834
Less:	
Outstanding Checks	(11,411)
Total Adjusted Treasury Balance	<u>387,696</u>
Less Positive Fund Balances:	
General	131,110
Street Construction	50,593
State Highway	15,440
Cemetery	8,185
Police Training	1,784
Permissive Motor Vehicle	15,367
Bond Retirement	124
Police Capital Improvements	46,966
Park Improvement	19,563
Capital Reserve	94
Cemetery Endowment	12,834
Park Trust	21,000
Water Operating	19,900
Sewer Operating	29,798
Water Debt Service	2,950
Sewer Debt Service	1,816
Water Capital Improvements	1,729
Storm Sewer Improvements	3,626
Shade Tree	4,817
Total Positive Fund Balances	<u>387,696</u>
Treasury Balance Less Positive Fund Balances	<u><u>\$0</u></u>

Conclusion: Schedule I indicates that a fiscal watch condition does not exist under Section 118.022(A)(3) of the Ohio Revised Code as of December 31, 2012. The treasury balance equaled the positive fund cash balances.

Forecasted General Fund Deficit

Section 118.022(A)(4) of the Ohio Revised Code defines a fiscal watch condition as:

The existence of a condition in which, based on an examination of the financial forecast approved by the legislative authority of a municipal corporation, county, or township, the Auditor of State certifies that the general fund deficit at the end of the current fiscal year will exceed one-twelfth of the general fund revenue from the preceding fiscal year.

Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A three-year forecast was prepared. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

Summary

This analysis indicates that the fiscal watch conditions that existed at December 31, 2007, have been corrected. The improvement in the Village of Mantua's financial condition justifies the Village's release from fiscal watch.

Because the above procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we prepared an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported.

APPENDIX A

**Village of Mantua
Portage County**

Financial Forecast

For the Years Ending December 31, 2013 through December 31, 2015

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Village of Mantua, Ohio

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Dave Yost • Auditor of State

Village Council
Village of Mantua
4650 West High Street
PO Box 775
Mantua, Ohio 44255

Based upon the requirement set forth in section 118.022(A)(4) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures, expenses, and changes in fund balance of the general fund of the Village of Mantua, for the three years ending December 31, 2015. These statements are presented on the budget basis of accounting used by the Village of Mantua rather than on generally accepted accounting principles. The Village of Mantua's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal watch to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal watch should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Mantua and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

A handwritten signature in cursive script that reads "Dave Yost".

DAVE YOST
Auditor of State

March 5, 2013

Village of Mantua, Portage County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2010, Through 2012, Actual
and Ending December 31, 2013, Through 2015, Forecasted
General Fund

	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
Revenues			
Property Taxes	\$12,025	\$6,299	\$6,964
Municipal Income Tax	419,339	444,601	505,680
Intergovernmental	147,261	118,689	84,800
Charges for Services	69,464	76,569	89,180
Fines, Licenses and Permits	30,827	30,430	29,682
Investment Income	6,701	2,067	1,488
Other	250	0	1,256
Total Revenues	<u>685,867</u>	<u>678,655</u>	<u>719,050</u>
Expenditures			
Current:			
Security of Persons and Property			
Police Enforcement			
Personal Services	350,676	350,313	354,272
Other	45,059	45,796	52,823
Total Police	<u>395,735</u>	<u>396,109</u>	<u>407,095</u>
Street Lighting			
Other	12,186	10,865	11,220
Total Security of Persons and Property	<u>407,921</u>	<u>406,974</u>	<u>418,315</u>
Public Health Services			
County Health District			
Other	406	0	0
Leisure Time Activities			
Parks			
Personal Services	5,518	6,789	7,941
Other	7,923	14,025	18,466
Total Leisure Time Activities	<u>13,441</u>	<u>20,814</u>	<u>26,407</u>
Community Environment			
Planning and Zoning			
Personal Services	6,336	5,698	6,207
Other	32	26	23
Total Community Environment	<u>\$6,368</u>	<u>\$5,724</u>	<u>\$6,230</u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
\$6,058	\$6,058	\$6,058
506,000	506,000	506,000
62,756	62,756	62,756
107,659	109,521	111,387
28,000	28,000	28,000
1,500	1,500	1,500
775	775	775
<u>712,748</u>	<u>714,610</u>	<u>716,476</u>
387,080	388,530	390,130
<u>46,800</u>	<u>46,800</u>	<u>46,800</u>
433,880	435,330	436,930
<u>11,000</u>	<u>11,000</u>	<u>11,000</u>
<u>444,880</u>	<u>446,330</u>	<u>447,930</u>
<u>800</u>	<u>800</u>	<u>800</u>
11,200	11,200	11,200
<u>21,400</u>	<u>20,200</u>	<u>20,200</u>
<u>32,600</u>	<u>31,400</u>	<u>31,400</u>
5,690	5,690	5,690
<u>100</u>	<u>100</u>	<u>100</u>
<u>\$5,790</u>	<u>\$5,790</u>	<u>\$5,790</u>

(continued)

Village of Mantua, Portage County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2010, Through 2012, Actual
and Ending December 31, 2013, Through 2015, Forecasted
General Fund (continued)

	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
Transportation			
Personal Services	\$3,469	\$7,412	\$4,952
Other	<u>18</u>	<u>6,142</u>	<u>10,141</u>
Total Transportation	<u>3,487</u>	<u>13,554</u>	<u>15,093</u>
General Government			
Mayor and Council			
Personal Services	21,406	22,146	9,911
Other	<u>28,584</u>	<u>30,564</u>	<u>23,773</u>
Total Mayor and Council	<u>49,990</u>	<u>52,710</u>	<u>33,684</u>
Clerk - Treasurer			
Personal Services	67,263	67,089	85,016
Other	<u>305</u>	<u>690</u>	<u>1,319</u>
Total Clerk - Treasurer	<u>67,568</u>	<u>67,779</u>	<u>86,335</u>
Land and Buildings			
Personal Services	821	411	444
Other	<u>9,309</u>	<u>12,306</u>	<u>12,539</u>
Total Land and Buildings	<u>10,130</u>	<u>12,717</u>	<u>12,983</u>
Solicitor			
Personal Services	<u>29,842</u>	<u>29,340</u>	<u>29,399</u>
Income Tax			
Other	<u>11,497</u>	<u>4,323</u>	<u>5,161</u>
Miscellaneous			
Other	<u>22,547</u>	<u>32,265</u>	<u>15,073</u>
Total General Government	<u>191,574</u>	<u>199,134</u>	<u>182,635</u>
Debt Service			
Principal	16,497	17,307	0
Interest	<u>1,333</u>	<u>524</u>	<u>0</u>
Total Debt Service	<u>17,830</u>	<u>17,831</u>	<u>0</u>
Total Expenditures	<u>641,027</u>	<u>664,031</u>	<u>648,680</u>
Excess of Revenues Over Expenditures	<u>44,840</u>	<u>14,624</u>	<u>70,370</u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
\$7,200	\$7,200	\$7,200
<u>6,150</u>	<u>4,950</u>	<u>4,950</u>
<u>13,350</u>	<u>12,150</u>	<u>12,150</u>
9,605	9,605	9,605
<u>23,650</u>	<u>23,650</u>	<u>23,650</u>
<u>33,255</u>	<u>33,255</u>	<u>33,255</u>
75,292	75,270	76,235
<u>700</u>	<u>700</u>	<u>700</u>
<u>75,992</u>	<u>75,970</u>	<u>76,935</u>
520	520	520
<u>12,210</u>	<u>12,210</u>	<u>12,210</u>
<u>12,730</u>	<u>12,730</u>	<u>12,730</u>
<u>31,000</u>	<u>31,000</u>	<u>31,000</u>
<u>8,610</u>	<u>8,610</u>	<u>8,610</u>
<u>30,995</u>	<u>17,495</u>	<u>30,995</u>
<u>192,582</u>	<u>179,060</u>	<u>193,525</u>
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
<u>690,002</u>	<u>675,530</u>	<u>691,595</u>
<u>22,746</u>	<u>39,080</u>	<u>24,881</u>

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Village of Mantua, Portage County
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2010, Through 2012, Actual
and Ending December 31, 2013, Through 2015, Forecasted
General Fund (continued)

	2010 <u>Actual</u>	2011 <u>Actual</u>	2012 <u>Actual</u>
Other Financing Sources (Uses)			
Other Financing Sources	4,017	487	8,130
Other Financing Uses	0	(171)	0
Advances In	0	23,862	16,009
Advances Out	(53,431)	(8,000)	(2,000)
Transfers Out	<u>(15,000)</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(64,414)</u>	<u>16,178</u>	<u>22,139</u>
Changes in Fund Balance	(19,574)	30,802	92,509
Fund Balance Beginning of Year	<u>21,334</u>	<u>1,760</u>	<u>32,562</u>
Fund Balance End of Year	<u><u>\$1,760</u></u>	<u><u>\$32,562</u></u>	<u><u>\$125,071</u></u>

<u>2013</u> <u>Forecasted</u>	<u>2014</u> <u>Forecasted</u>	<u>2015</u> <u>Forecasted</u>
0	0	0
0	0	0
0	0	0
0	0	0
<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>
12,746	29,080	14,881
<u>125,071</u>	<u>137,817</u>	<u>166,897</u>
<u>\$137,817</u>	<u>\$166,897</u>	<u>\$181,778</u>

Village of Mantua, Portage County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2015

Note 1 - The Village

The Village of Mantua (the Village) is located in northeast Ohio in northern Portage 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. Operating as a statutory village, Mantua must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Village Council elects a Council President Pro Tempore to preside over Village Council meetings in the Mayor's absence. The Village Council has the authority to prescribe, by ordinance, the manner in which any power of the Village shall be exercised.

The Mayor is the Chief Executive Officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of the Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the event of a tie.

The Village Clerk-Treasurer is an elected position that serves a four year term. The Clerk-Treasurer also serves as the Clerk of Council and the Income Tax Administrator of the Village. The Clerk-Treasurer attends all Village Council meetings and is a non-voting member of the Finance Committee. Currently the Clerk-Treasurer prepares Council meeting minutes. The Clerk-Treasurer keeps accurate records of all monies received and expended by the Village, keeps records of all property owned by the Village, and of all taxes and assessments. The Clerk-Treasurer performs the accounting procedures for the Village necessary to comply with the administrative rules adopted by the Auditor of State.

Village Council contracts with an attorney to handle any legal matters for the Village. The Solicitor is the chief legal advisor of the Village.

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, street lighting and maintenance of the Village park and cemetery. The Village also has a water and wastewater treatment plant and contracts with the County for wastewater services. Additionally, the Village provides Police protection for residents and contracts dispatching services for the Mantua-Shalersville Fire District, and the Village of Hiram.

On August 26, 2008, the Auditor of State's Office declared the Village of Mantua to be in a state of fiscal watch in accordance with section 118.22, Ohio Revised Code.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, expenses, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of March 5, 2013, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Village of Mantua, Portage County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2015

The forecast presents the fund that is significant to the operations of the Village. This fund follows:

General Fund – The General fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. Fund Accounting

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

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Funds - Debt service funds are used to account for and report resources that are restricted, committed, or assigned to disbursement for principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for and report resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by the enterprise funds).

Permanent Funds - Permanent funds account for and report financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for the benefit of the Village.

Village of Mantua, Portage County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2015

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Village under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Village's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources – On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriation for the full year is not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Village of Mantua, Portage County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2013, through 2015

Note 4 - General Revenue Assumptions

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property, and prior to 2011, tangible personal property taxes. The Village may request advances from the Portage County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account “intergovernmental revenue”.

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2012 for taxes collected in 2013. The next triennial update will take place in 2015 for taxes collected in 2016 with the next reappraisal scheduled for 2018. The Village’s assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	2009	2010	2011	2012
Real Property				
Residential and Agriculture	\$14,598,230	\$14,659,040	\$14,680,240	\$13,839,570
Commercial and Industrial	5,652,800	5,609,120	5,223,170	5,144,120
Public Utility				
Personal Property	456,950	474,420	496,860	542,760
Tangible Personal Property	14,875	0	0	0
Total Assessed Value	<u>\$20,722,855</u>	<u>\$20,742,580</u>	<u>\$20,400,270</u>	<u>\$19,526,450</u>

The property tax revenues are generated from inside millage receipted into the General Fund and Bond Retirement Fund. The full tax rate is \$2.80 per \$1,000 of assessed value.

Public utility real and personal property taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes decreased in 2013 due to a decrease in assessed values due to the 2012 reappraisal. Property values are expected to remain the same until 2015 due to the overall economy of the Village.

Tangible Personal Property - Tangible personal property taxes have had a number of changes in the past several years. Effective for tax years 2005 and 2006, the assessment rate on inventory was to be reduced by 2 percent if the total statewide collections of personal property taxes for the second preceding year exceeded the total

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statewide collections of property taxes for the third preceding year. Effective for tax years 2007 and beyond, the assessment rate for inventory was to be reduced by 2 percent per year until completely phased out, regardless of the growth in collections.

Beginning in 2006, House Bill 66 phased out, by 25 percent each year, tangible personal property tax on most businesses' inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes have been levied or collected since 2009 from general business taxpayers, except telephone companies whose last year to pay tangible personal property tax was 2010. The State of Ohio reimburses the Village for the loss of tangible personal property taxes as a result of the changes in House Bill 66 within certain limitations (see Intergovernmental Revenues below).

B. Municipal Income Taxes

The Village levies a municipal income tax of one and a half percent on gross salaries, wages and other personal service compensation earned by residents of the Village and on the earnings of nonresidents working within the Village. This tax also applies to the net income of businesses operating within the Village. Employers within the Village are required to withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers are required to file a declaration annually.

Income tax revenue is credited to the General fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues increased over the last few years due to Mantaline Corporation Incorporated expanding their facility and Compass Packaging moving into the Village. Income tax revenues are expected to be at the 2012 level in 2013, 2014 and 2015.

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies, property tax allocations for rollback and homestead, cigarette tax, liquor and beer permit fees and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The tangible personal property reimbursements are received from the State and are based on information provided by the County Auditor.

Beginning in 2006, the State reimbursed the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village was fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by House Bill 66. Over the next seven years, the reimbursements are phased-out. The reimbursement will be for the difference between the assessed values under prior law and the assessed values under House Bill 66. This means the Village is only reimbursed for the difference between the amounts that would have been received under the prior law and amounts actually received as the phase-outs in House Bill 66 are implemented.

In 2011, HB153 accelerates the phase-out of the tangible personal property tax reimbursements by two percentage points per year based on the entity's 2010 tax year reimbursements.

State law grants tax relief in the form of a 10 percent reduction in residential real property tax bills. In addition, a 2.5 percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs.

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In tax collection year 2008, the State granted an additional homestead exemption for the first \$25,000 in market value. This exemption increases property tax allocation receipts and decreases general property tax receipts by an equal amount.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, HB153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions will be approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

D. Charges for Services

Charges for services receipts represent revenue received for police, dispatch and fire contracts and recreation entry fees. Crestwood Local School District entered into a contract with the Village to provide on-site police protection in the fall of 2012. The contract was in place for the last few months of 2012. The contract is anticipated to continue throughout the forecast period. The Village will be reimbursed for the on-site officer each year of the forecast period. This is anticipated to generate approximately \$25,000 annually. The fire protection and dispatch contracts are expected to increase 3 percent and 1 percent, respectively, each year of the forecast period generating approximately \$57,500 in 2013, \$59,000 in 2014 and \$61,000 in 2015. No increase is anticipated for recreational entry fees. These are expected to generate \$10,000.

E. Fines, Licenses and Permits

Fines, licenses and permits receipts represent court fines, zoning permits and cable franchise fees. Amounts collected for the various permits, inspections and fees remain approximately the same annually. Cable franchise fees are 5 percent of gross receipts collected by the cable provider. No increase is anticipated in court fines and zoning permits. A decrease is anticipated in cable franchise fees as more individuals are looking into other options besides cable.

F. Investment Income

Interest receipts are expected to be minimal due to very low interest rates throughout the forecast period.

G. Other Revenues – Other revenue receipts include donations, tree removal and leaf bag fees. During 2012, the Village began charging half the cost of tree removal between the sidewalks and the street to the owner of the property. The Village also began a leaf bag program in 2012. Bio-degradable bags for leaf removal are available to Village residents. The first six bags are free of charge any additional bags are at a cost of 50 cents per bag.

Note 5 - Expenditure Assumptions

A. Personal Services

Personal services include the salaries paid to the employees and elected officials of the Village. The majority of the Village's employees are paid on a bi-weekly basis. The Mayor, Zoning Inspector, Village Solicitor, Janitor

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and Village Council are paid monthly. Village Council, by ordinance, sets the salary or hourly rates and other forms of compensation, such as paid leave. Staffing levels are anticipated to remain the same over the forecast period.

The Village Council consists of five members with an annual salary of \$600 and a council president with an annual salary of \$1,140. Village Council is paid from the General Fund.

The Mayor's annual salary is \$3,600 as well as getting reimbursed for some travel expenses. The Mayor is paid from the General Fund.

The Clerk-Treasurer's annual salary is based on years of service and is set by ordinance. The Clerk-Treasurer's annual salary for the first year of service is set at \$37,000. The annual salary shall be increased by \$1,000 for each additional year of service until the seventh year. In the seventh year, the final increase will be \$500. The Clerk-Treasurer's annual salary will remain at the seventh year of service amount of \$42,500 for all remaining years. The salary increase is currently in effect on April 1st of each year. The Clerk-Treasurer's annual salary for 2013, 2014 and 2015 will be \$41,750, \$42,375 and \$42,500, respectively. Clerk-Treasurer's salary is paid from the General Fund.

The Village Solicitor's annual salary is \$25,000 and is paid from the General Fund. The Solicitor's contract will be renewed in April 2013, at this time the Village Council would like to increase her annual salary. The Village has estimated the increase will cost the Village no more than an additional \$1,500 for wages and benefits each year of the forecast period.

The salaries and wages for several employees within the police department and the service department were granted merit raises to be in effect during the first year of the forecast period. The raises were approved in February of 2013 and take effect on March 3, 2013. These merit raises range from 0.5 to 3 percent. The Village has estimated the raises will cost the village an additional \$6,000 for wages and benefits each year of the forecast period. Police personal services also increased to account for the additional officer needed due to the on-site police protection to Crestwood Local School District. Each year of the forecast period, \$27,000 has been forecasted for salaries and benefits for the additional officer.

Personal Services also includes include employer contributions to the State pension systems, workers' compensation, Medicare, life insurance, medical, prescription, and dental health coverage.

All employees and/or elected officials, except police and fire, participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 14 percent (the maximum) of their annual salary.

Police employees participate in the Ohio Police and Fire Retirement System (OP&F). OP&F provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. Employees are required to contribute 10 percent (the maximum) of their annual salary and the Village is required to contribute 19.5 percent for police and 24 percent for fire (the maximum) of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually due to the forecasted increase in salaries.

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The Village provides medical, dental, and life insurance benefits to full-time employees through SummaCare. The Village anticipates the premiums for benefits to increase approximately 10 percent each year. The Village charges the premiums for medical benefits to the same fund and department as the individual's compensation.

B. Other

Other expenditures include contractual services and materials and supplies. Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, natural gas, and garbage), vehicle maintenance, postage, advertising, legal fees, auditor and treasurer fees, training fees and accounting and auditing services. Audits will be performed every two years and will be paid from the General fund. Vehicle maintenance costs are expected to decrease due to major repairs needed in prior years. Other contractual services are expected to remain consistent with the prior years. Supplies and materials expenditures include office and operating (gasoline, police equipment, recreational items) supplies. Supplies and materials are anticipated to remain consistent with the prior year. The Village is anticipating donations for several park projects over the next three years that will increase supplies and materials for park operations.

C. Debt Service

In 2006, the Village entered into a collateralized promissory note to purchase two police cruisers and a service vehicle. These notes were paid off in 2011.

Note 6 – Transfers and Advances – General Fund

During 2012 a tax refund of about \$100,000 owed to Saint-Gobain Performance Plastics which accrued over several years was forgiven by the company. The company made a request that the Village use the donated funds to contribute to the quality of life for the residents of Mantua. The Village Council would like to transfer \$10,000 of income tax revenues each year to the capital projects fund during the forecast period. Once the Village has accumulated \$50,000 in the capital projects fund, Council will have determined what they want to do with the money that will benefit the Village residents the most.

Note 7 - Other Funds

The Village has numerous other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 8 - Contingencies

A. Litigation

The Village is party to legal proceedings. The Village management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

B. Grants

The Village received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the

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grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position during the forecast period.



Dave Yost • 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
APRIL 10, 2013