



Dave Yost • Auditor of State



VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

Village of Mingo Junction  
Jefferson County  
501 Commercial Street  
Mingo Junction, Ohio 43938

To 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 2, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Mingo Junction  
Jefferson County  
501 Commercial Street  
Mingo Junction, Ohio 43938

To Village Council:

We have audited the accompanying financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Ohio Revised Code Section 5705.10 (H) states that any monies paid into any fund shall be used only for the purposes for which such fund was established. In 2010, a portion of the Village Administrator's salary, OPERS and taxes was paid from the Cemetery Fund. While the Village Administrator does perform some tasks, for which the hours could be charged to the Cemetery Fund, the amount of salary charged to the Cemetery Fund was not in proportion to the hours worked. As a result, these monies were not expended in accordance with the purposes for which the Cemetery Fund was established.

The adjustment required to record the Village Administrator's salary and related taxes and OPERS in the General Fund follows:

<b>Fund</b>	<b>Function</b>	<b>Debit</b>	<b>Credit</b>
General	Public Health	\$7,580	
Cemetery	Public Health		\$7,580

Also, in our opinion, except for the effects of not recording the Village Administrator's salary in the General Fund, as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash receipts and cash disbursements in the General Fund and Special Revenue Fund Type of the Village of Mingo Junction, Jefferson County as of December 31, 2010 and 2009, and the changes in the combined cash balances, thereof and for the years then ended in conformity with the accounting basis Note 1 describes.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash receipts and cash disbursement of the Capital Project Fund Type, the Proprietary Fund Type and the Fiduciary Fund Type of the Village of Mingo Junction, Jefferson County as of December 31, 2010 and December 2009, and the changes in the combined cash balances, thereof and for the years then ended in conformity with 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 May 2, 2011, 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.



**Dave Yost**  
Auditor of State

May 2, 2011



VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$79,772	\$160,731		\$240,503
Municipal Income Tax	450,247	133,958	\$160,005	744,210
Intergovernmental	326,386	394,139	23,837	744,362
Charges for Services		167,505		167,505
Fines, Licenses and Permits	44,285	260		44,545
Earnings on Investments	973	2,090	361	3,424
Miscellaneous	5,231	6,544		11,775
	<u>906,894</u>	<u>865,227</u>	<u>184,203</u>	<u>1,956,324</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	776,520	366,226		1,142,746
Public Health Services	10,608	9,595		20,203
Leisure Time Activities		54,615		54,615
Community Environment		22,665		22,665
Basic Utility Service	1,146	524,827		525,973
Transportation	35,903	150,253		186,156
General Government	469,791	67,423		537,214
Debt Service:				
Redemption of Principal			36,909	36,909
Interest and Fiscal Charges			7,398	7,398
Capital Outlay	2,787	19,580	117,028	139,395
	<u>1,296,755</u>	<u>1,215,184</u>	<u>161,335</u>	<u>2,673,274</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(389,861)</u>	<u>(349,957)</u>	<u>22,868</u>	<u>(716,950)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	1,617			1,617
Transfers-In		157,000		157,000
Transfers-Out	(122,000)	(15,000)		(137,000)
Other Financing Sources	77,127	5,830	21,392	104,349
Other Financing Uses	(11,190)	(67)		(11,257)
	<u>(54,446)</u>	<u>147,763</u>	<u>21,392</u>	<u>114,709</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(444,307)</u>	<u>(202,194)</u>	<u>44,260</u>	<u>(602,241)</u>
<b>Fund Cash Balances, January 1</b>	<u>747,458</u>	<u>851,551</u>	<u>1,437,007</u>	<u>3,036,016</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$303,151</b></u>	<u><b>\$649,357</b></u>	<u><b>\$1,481,267</b></u>	<u><b>\$2,433,775</b></u>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON 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, 2010**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,362,394		\$1,362,394
Total Operating Cash Receipts	<u>1,362,394</u>		<u>1,362,394</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	843,573		843,573
Contractual Services	284,463		284,463
Supplies and Materials	214,611		214,611
Total Operating Cash Disbursements	<u>1,342,647</u>		<u>1,342,647</u>
Operating Income/(Loss)	<u>19,747</u>		<u>19,747</u>
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes		\$29,329	29,329
Earnings on Investments	4,398		4,398
Other Non-Operating Cash Receipts	18,250	7,226	25,476
Total Non-Operating Cash Receipts	<u>22,648</u>	<u>36,555</u>	<u>59,203</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	42,572		42,572
Redemption of Principal	317,573		317,573
Interest and Other Fiscal Charges	271,049		271,049
Other Non-Operating Cash Disbursements	7,631	32,608	40,239
Total Non-Operating Cash Disbursements	<u>638,825</u>	<u>32,608</u>	<u>671,433</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(596,430)	3,947	(592,483)
Transfers-Out	<u>(20,000)</u>		<u>(20,000)</u>
Net Receipts Over/(Under) Disbursements	(616,430)	3,947	(612,483)
Fund Cash Balances, January 1	<u>2,121,419</u>	<u>382</u>	<u>2,121,801</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,504,989</u></b>	<b><u>\$4,329</u></b>	<b><u>\$1,509,318</u></b>

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

VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$78,594	\$194,410		\$273,004
Municipal Income Tax	595,753	177,236	\$211,726	984,715
Intergovernmental	364,340	416,284	176,746	957,370
Charges for Services		166,519		166,519
Fines, Licenses and Permits	55,454	1,995		57,449
Earnings on Investments	5,401	8,740	5,626	19,767
Miscellaneous	5,524	27,585		33,109
	<u>1,105,066</u>	<u>992,769</u>	<u>394,098</u>	<u>2,491,933</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,013,238	349,219	19,667	1,382,124
Public Health Services	11,099	8,799		19,898
Leisure Time Activities		164,332	23,880	188,212
Basic Utility Service		483,309		483,309
Transportation	284,882	147,945	32,749	465,576
General Government	441,486	91,018	9,126	541,630
Debt Service:				
Redemption of Principal			34,940	34,940
Interest and Fiscal Charges			9,183	9,183
Capital Outlay	150	21,763	176,747	198,660
	<u>1,750,855</u>	<u>1,266,385</u>	<u>306,292</u>	<u>3,323,532</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(645,789)</u>	<u>(273,616)</u>	<u>87,806</u>	<u>(831,599)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets	5,275			5,275
Transfers-In		201,000		201,000
Transfers-Out	(201,000)			(201,000)
Other Financing Sources	49,940	1,663	100	51,703
	<u>(145,785)</u>	<u>202,663</u>	<u>100</u>	<u>56,978</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(791,574)</u>	<u>(70,953)</u>	<u>87,906</u>	<u>(774,621)</u>
<b>Fund Cash Balances, January 1</b>	<u>1,539,032</u>	<u>922,504</u>	<u>1,349,101</u>	<u>3,810,637</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$747,458</u></u>	<u><u>\$851,551</u></u>	<u><u>\$1,437,007</u></u>	<u><u>\$3,036,016</u></u>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON 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, 2009**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,597,569		\$1,597,569
Total Operating Cash Receipts	<u>1,597,569</u>		<u>1,597,569</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	915,372		915,372
Contractual Services	325,003		325,003
Supplies and Materials	285,682		285,682
Total Operating Cash Disbursements	<u>1,526,057</u>		<u>1,526,057</u>
Operating Income/(Loss)	<u>71,512</u>		<u>71,512</u>
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes		\$1,402,394	1,402,394
Earnings on Investments	28,047		28,047
Miscellaneous Receipts	15,050		15,050
Other Non-Operating Cash Receipts	18,540	33,088	51,628
Total Non-Operating Cash Receipts	<u>61,637</u>	<u>1,435,482</u>	<u>1,497,119</u>
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	122,210		122,210
Redemption of Principal	300,248		300,248
Interest and Other Fiscal Charges	288,374		288,374
Other Non-Operating Cash Disbursements	13,535	1,435,100	1,448,635
Total Non-Operating Cash Disbursements	<u>724,367</u>	<u>1,435,100</u>	<u>2,159,467</u>
Net Receipts Over/(Under) Disbursements	(591,218)	382	(590,836)
Fund Cash Balances, January 1	<u>2,712,637</u>		<u>2,712,637</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$2,121,419</u></u></b>	<b><u><u>\$382</u></u></b>	<b><u><u>\$2,121,801</u></u></b>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Mingo Junction, Jefferson 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, fire, and emergency medical services.

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. Deposits and Investments**

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

The Village values certificate of deposits at cost.

**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:

Garbage Fund – This fund receives tax monies to provide garbage removal services for Village residents.

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**3. 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 Fund:

Capital Improvement Fund – This fund receives municipal income tax monies and is used to buy equipment for the Village, including computers and road service equipment.

**4. Enterprise Funds**

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

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

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

**5. 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 funds account for Magistrate Court and Income Tax monies.

**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 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. Appropriations lapse at year end.

VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 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 DEPOSITS

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

	2010	2009
Demand deposits	\$1,943,093	\$4,018,636
Certificates of deposit	2,000,000	1,139,181
Total deposits	<u>\$3,943,093</u>	<u>\$5,157,817</u>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$918,800	\$985,638	\$66,838
Special Revenue	1,052,609	1,028,057	(24,552)
Capital Projects	179,650	205,595	25,945
Enterprise	1,388,500	1,385,042	(3,458)
Total	\$3,539,559	\$3,604,332	\$64,773

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,506,267	\$1,429,945	\$76,322
Special Revenue	1,387,594	1,230,251	157,343
Capital Projects	272,736	161,335	111,401
Enterprise	2,200,405	2,001,472	198,933
Total	\$5,367,002	\$4,823,003	\$543,999

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,296,113	\$1,160,281	(\$135,832)
Special Revenue	1,211,806	1,195,432	(16,374)
Capital Projects	316,072	394,198	78,126
Enterprise	1,753,500	1,659,206	(94,294)
Total	\$4,577,491	\$4,409,117	(\$168,374)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,037,311	\$1,951,855	\$85,456
Special Revenue	1,591,490	1,266,385	325,105
Capital Projects	192,448	306,292	(113,844)
Enterprise	2,546,686	2,250,424	296,262
Total	\$6,367,935	\$5,774,956	\$592,979

Contrary to Ohio law, budgetary appropriations exceeded estimated resources in various funds for the years ended December 31, 2010 and 2009. Also, contrary to Ohio law, expenditures exceeded appropriations in one fund for the year ended December 31, 2009.



**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**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 2 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$4,379,988	5.77%
General Obligation Note	125,444	5.00%
Total	<u>\$4,505,432</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project. The OWDA approved loans to the Village for this project. The Village will repay the loans in semi-annual installments of \$294,311, including interest, over 25 years. Water receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The General Obligation Note was secured through Huntington National Bank for the purchase of fire equipment. The note will be repaid in monthly installments of \$3,677 and will be repaid in 2014. The fire truck and the village's taxing authority collateralize the loan.

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. DEBT - (Continued)**

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

Year ending December 31:	OWDA Loan	General Obligation Notes
2011	\$588,622	\$44,124
2012	588,622	44,124
2013	588,622	44,124
2014	588,622	3,677
2015	588,622	
2016-2020	2,943,109	
Total	\$5,886,219	\$136,049

**7. RETIREMENT SYSTEMS**

The Village's certified Fire Fighters and 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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**9. COMPLIANCE**

Contrary to Ohio law, a portion of the Village Administrator's salary was paid from a fund for which there was no support to make such payment. A finding for adjustment was proposed.



# Dave Yost • 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 Mingo Junction  
Jefferson County  
501 Commercial Street  
Mingo Junction, Ohio 43938

To Village Council:

We have audited the financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 2, 2011, 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 charged a portion of the Village Administrator's salary and related taxes and OPERS to the Cemetery Fund without documentation to support the amount charged, as required by Ohio Revised Code Section 5705.10(H). 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01 and 2010-05 described in the accompanying schedule of findings to be material weaknesses.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 2, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

May 2, 2011

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-01**

**Finding For Adjustment / Noncompliance Citation / Material Weakness**

**Ohio Revised Code Section 5705.10 (H)** states that any monies paid into any fund shall be used only for the purposes for which such fund was established.

In 2010, a portion of the Village Administrator's salary was paid from the Cemetery Fund, however, there was no documentation or policy to support the salary payments from any fund, other than General Fund. The salary expenditures were not in accordance with the purposes for which the Cemetery Fund was established. The following finding for adjustment has been calculated:

The Village Administrator's wages and benefits paid from the Cemetery Fund in 2010 were:

Wages	\$6,500
Employer Share of Public Employees' Retirement	655
Federal Income Tax	65
Bureau of Workers' Compensation	360
<b>Total Finding for Adjustment</b>	<b><u>\$7,580</u></b>

If the Village intends to allocate the salary of the Village Administrator to funds other than the General, an allocation plan should be developed based on the job description and responsibilities. The allocation plan should be approved by the Village Council and noted in the minute record. To ensure accurate reporting and proper use of public funds, salary expenditures charged to other funds should be in accordance with the approved allocation plan.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Certificate of Estimated Resources.

Current appropriations exceeded the amount certified as available by the Budget Commission in the following funds:

Fund	Estimated Resources	Appropriations	Variance
<b>2009</b>			
Employee Benefit	\$20,549	\$45,000	\$24,451
Safety Grants	\$158	\$13,943	\$13,785
Senior Citizens	\$68,965	\$73,498	\$4,533
Police Pension	\$89,088	\$90,950	\$1,862
<b>2010</b>			
Employee Benefit	\$5,265	\$44,990	\$39,725
Drug Enforcement	\$32,129	\$32,850	\$721

**FINDING NUMBER 2010-02  
(Continued)**

The Village Clerk should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should submit an amended certificate or estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Village Council to reduce appropriations.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.
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. 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 in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village Clerk did not certify or record the amount against the applicable appropriation accounts for 82% and 47% of tested expenditures in 2009 and in 2010, respectively. The Village did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

**FINDING NUMBER 2010-03  
(Continued)**

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending in negative cash balances. 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, the Clerk should certify that 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.

The Village Clerk should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires for the authorization of disbursements. The Clerk should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Clerk should then post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-04**

**Noncompliance Finding**

**Ohio Revised Code 5705.41 (B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Auditor of State Bulletin 2002-004 states the local government shall include in its official or amended certificate of estimated resources the amount of Issue 2 monies anticipated to be received into the project fund during the fiscal year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year. If the project is not expected to be completed in the current year, the remainder of the project must be appropriated immediately in the subsequent year(s).

In fiscal year 2009, 100% of expenditures exceeded appropriations in the Ohio Public Works Commission Fund. This was the result of an audit adjustment for Issue 2 fund expenditures.

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary

**FINDING NUMBER 2010-05**

**Material Weakness**

**Posting Revenue and Disbursements/Reconciliation Process**

The Village Clerk did not correctly post all receipts and disbursements in 2009 and 2010, resulting in adjustments and reclassifications to the financial statements. The Village Clerk and the Village Treasurer prepared monthly and year-end bank to book reconciliations, however, the reconciliations included fund balances and reconciling items there were incorrect and unsupported. The Village Clerk and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

**FINDING NUMBER 2010-05  
 (Continued)**

<b>Fund</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>2009 Reclassifications</b>			
General	Intergovernmental revenue	\$71,902	Recorded as local taxes
Garbage	Intergovernmental revenue	\$184,508	Recorded as local taxes
Fire Pension	Intergovernmental revenue	\$9,277	Recorded as local taxes
Police Pension	Intergovernmental revenue	\$9,277	Recorded as local taxes
<b>2009 Adjustments</b>			
Parks and Recreation	Intergovernmental revenue	\$12,320	Recorded in Capital Improvement Fund as other financing sources
Parks and Recreation	Leisure time activities disbursements	\$12,320	Recorded in Capital Improvement Fund as capital outlay.
Ohio Public Works Commission	Intergovernmental revenue Capital outlay disbursements	\$176,746	Monies paid on behalf of the Village not posted.
Magistrate Court	Other non-operating uses	\$32,706	Amount was not recorded.
Magistrate Court	Other non-operating sources	\$33,087	Amount was not posted.
General	Other financing sources	\$2,754	Amount was not posted.
Employee Benefit	General government disbursements	\$2,377	Amount was not posted.
DARE	Other financing sources	\$558	Amount was not posted.
<b>2010 Reclassifications</b>			
Parks and Recreation	Intergovernmental revenue	\$8,000	Recorded as other financing sources.
General	Intergovernmental revenue	\$67,066	Recorded as local taxes
Garbage	Intergovernmental revenue	\$182,907	Recorded as local taxes
Fire Pension	Intergovernmental revenue	\$9,145	Recorded as local taxes
Police Pension	Intergovernmental revenue	\$9,145	Recorded as Local Taxes
Employee Benefit	General government disbursements	\$44,369	Posted as security of persons and property disbursements
General	Municipal income tax revenue	\$450,247	Recorded as transfer-in
Garbage	Municipal income tax revenue	\$66,979	Recorded as transfer-in
Parks and Recreation	Municipal income tax revenue	\$37,210	Recorded as transfer-in
Senior Citizens	Municipal income tax revenue	\$14,884	Recorded as transfer-in
Drug Enforcement	Municipal income tax revenue	\$7,442	Recorded as transfer-in
Community Development	Municipal income tax revenue	\$7,442	Recorded as transfer-in
Street, Construction, Maintenance and Repair	Municipal income tax revenue	\$63,258	Recorded as transfer-in
Capital Improvement	Municipal income tax revenue	\$55,816	Recorded as transfer-in
Community Complex	Municipal income tax revenue	\$18,605	Recorded as transfer-in
Fire Equipment	Municipal income tax revenue	\$11,163	Recorded as transfer-in
Police Equipment	Municipal income tax revenue	\$11,163	Recorded as transfer-in
Income Tax	Municipal income tax revenue Transfers-out	\$744,209	To eliminate agency fund activity – RITA collects and distributes income tax



**FINDING NUMBER 2010-05  
 (Continued)**

<b>2010 Adjustments</b>			
General	Earning on investments	\$229	Amount was not recorded.
DARE	Other financing uses	\$67	Amount was not recorded.
State Highway	Intergovernmental revenue	\$2,072	Amount was recorded twice.
Ohio Public Works Commission	Intergovernmental revenue Capital outlay expenses	\$23,838	Monies paid on behalf of the Village not posted to ledgers
Magistrate Court	Other non-operating expenses	\$3,279	Amount was not recorded.
Magistrate Court	Other non-operating revenue	\$7,226	Amount was not recorded.
Employee Benefit	General government disbursements	\$976	Amount was not recorded.
General	Other financing sources	\$8,412	Amount of revenue not posted
Street Construction, Maintenance, and Repair	Intergovernmental revenue	\$25,555	Amount was recorded twice.
General	Intergovernmental revenue	\$15,696	Amount was not recorded.

The Village Clerk should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on-behalf-of programs when a local government or its residents are beneficiaries of the program. As RITA is collecting the municipal income tax for the Village and providing statements to specify the amount that each fund should receive, the Income Tax agency fund should not be used and municipal income tax revenue should be credited directly to appropriate funds. The Village Clerk should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

The Village Clerk and the Village Treasurer should prepare accurate monthly bank to book reconciliations that include all Village accounts, an accurate outstanding check list and adequate support for all reconciling items. A review process should be implemented whereby the Village Council would review ledgers, monthly financial statements and the monthly reconciliations.

**Officials' Response:**

We did not receive a response from officials to the findings reported above.

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**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-001	Finding for Recovery against Darla Sue Zorbini in the amount of \$443.42.	Yes, repaid in full	
2008-002	Finding For Recovery against Kim Crugnale in the amount of \$253.54.	Yes, repaid in full	
2008-003	ORC 5705.41(D), failure to encumber .	No	Re-issued as Finding 2010-03.
2008-004	ORC 5705.41(B), expenditures exceeded appropriations.	Yes	
2008-005	Significant Deficiency: failure to accurately post appropriations to the ledgers.	No	Re-issued in the management letter.
2008-006	Significant Deficiency, did not post all receipts and disbursements.	No	Re-issued as Finding 2010-05.

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# Dave Yost • Auditor of State

VILLAGE OF MINGO JUNCTION

JEFFERSON 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  
SEPTEMBER 1, 2011