



Dave Yost • Auditor of State

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our qualified audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

During 2010 the Village paid \$7,580 of the Village Administrator's salary from the Special Revenue Cemetery Fund. The wages were not paid in accordance with the purpose of the Special Revenue Cemetery Fund as required by Ohio Revised Code Section 5705.10 (H). The Village declined to make the adjustment. Had the Village agreed to the adjustment the General Fund Balance would have been \$228,092 and \$474,908 at December 31, 2012 and 2011, respectively. The Special Revenue Fund Balance would have been \$397,288 and \$477,977 at December 31, 2012 and 2011, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, based on the effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Village of Mingo Junction, Jefferson as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Mingo Junction adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Village's internal control over financial reporting and compliance.

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

Columbus, Ohio

October 21, 2013

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**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$66,854	\$123,351		\$190,205
Municipal Income Tax	586,401	144,953	\$147,149	878,503
Intergovernmental	238,362	282,914	360,417	881,693
Charges for Services		144,620		144,620
Fines, Licenses and Permits	74,346			74,346
Earnings on Investments	433	217		650
Miscellaneous	3,809	9,090		12,899
<i>Total Cash Receipts</i>	<u>970,205</u>	<u>705,145</u>	<u>507,566</u>	<u>2,182,916</u>
Cash Disbursements				
Current:				
Security of Persons and Property	614,571	255,250		869,821
Public Health Services	10,501	4,681		15,182
Leisure Time Activities		96,095		96,095
Community Environment		29,763		29,763
Basic Utility Services	1,840	316,036		317,876
Transportation	48,611	140,064		188,675
General Government	453,961	17,172	8,021	479,154
Capital Outlay		20,625	860,259	880,884
Debt Service:				
Principal Retirement			40,662	40,662
Interest and Fiscal Charges			3,461	3,461
<i>Total Cash Disbursements</i>	<u>1,129,484</u>	<u>879,686</u>	<u>912,403</u>	<u>2,921,573</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(159,279)</u>	<u>(174,541)</u>	<u>(404,837)</u>	<u>(738,657)</u>
Other Financing Receipts (Disbursements)				
Transfers In		88,144		88,144
Transfers Out	(88,144)			(88,144)
Other Financing Sources	647	5,708	20	6,375
Other Financing Uses	(40)			(40)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(87,537)</u>	<u>93,852</u>	<u>20</u>	<u>6,335</u>
<i>Net Change in Fund Cash Balances</i>	<u>(246,816)</u>	<u>(80,689)</u>	<u>(404,817)</u>	<u>(732,322)</u>
<i>Fund Cash Balances, January 1</i>	<u>482,488</u>	<u>485,557</u>	<u>1,336,861</u>	<u>2,304,906</u>
Fund Cash Balances, December 31				
Restricted		404,868	932,044	1,336,912
Assigned	4,669			4,669
Unassigned (Deficit)	231,003			231,003
<i>Fund Cash Balances, December 31</i>	<u>\$235,672</u>	<u>\$404,868</u>	<u>\$932,044</u>	<u>\$1,572,584</u>

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$1,856,446		\$1,856,446
<i>Total Operating Cash Receipts</i>	<u>1,856,446</u>		<u>1,856,446</u>
Operating Cash Disbursements			
Personal Services	858,814		858,814
Contractual Services	267,838		267,838
Supplies and Materials	175,353		175,353
Claims	85,018		85,018
<i>Total Operating Cash Disbursements</i>	<u>1,387,023</u>		<u>1,387,023</u>
<i>Operating Income (Loss)</i>	<u>469,423</u>		<u>469,423</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	440		440
Principal Retirement	(177,639)		(177,639)
Interest and Other Fiscal Charges	(116,672)		(116,672)
Other Financing Sources	32,926	\$1,411	34,337
Other Financing Uses	(5,550)	(223)	(5,773)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(266,495)</u>	<u>1,188</u>	<u>(265,307)</u>
<i>Net Change in Fund Cash Balances</i>	202,928	1,188	204,116
<i>Fund Cash Balances, January 1</i>	<u>868,572</u>	<u>5,539</u>	<u>874,111</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,071,500</u>	<u>\$6,727</u>	<u>\$1,078,227</u>

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$78,693	\$154,736		\$233,429
Municipal Income Tax	568,110	168,990	\$201,849	938,949
Intergovernmental	325,680	326,604	7,766	660,050
Charges for Services		189,584		189,584
Fines, Licenses and Permits	36,367			36,367
Earnings on Investments	7,296	4,035	14	11,345
Miscellaneous	1,946	7,664		9,610
<i>Total Cash Receipts</i>	<u>1,018,092</u>	<u>851,613</u>	<u>209,629</u>	<u>2,079,334</u>
Cash Disbursements				
Current:				
Security of Persons and Property	500,913	257,609		758,522
Public Health Services	10,572	2,904		13,476
Leisure Time Activities		80,302		80,302
Community Environment		22,182		22,182
Basic Utility Services	1,661	403,379		405,040
Transportation	41,602	207,836		249,438
General Government	372,127	41,901		414,028
Capital Outlay	550	16,030	317,231	333,811
Debt Service:				
Principal Retirement			38,685	38,685
Interest and Fiscal Charges			5,439	5,439
<i>Total Cash Disbursements</i>	<u>927,425</u>	<u>1,032,143</u>	<u>361,355</u>	<u>2,320,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>90,667</u>	<u>(180,530)</u>	<u>(151,726)</u>	<u>(241,589)</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	920			920
Transfers In		12,000		12,000
Transfers Out	(12,000)			(12,000)
Other Financing Sources	95,981	9,012	7,320	112,313
Other Financing Uses	(513)			(513)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>84,388</u>	<u>21,012</u>	<u>7,320</u>	<u>112,720</u>
<i>Net Change in Fund Cash Balances</i>	175,055	(159,518)	(144,406)	(128,869)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>307,433</u>	<u>645,075</u>	<u>1,481,267</u>	<u>2,433,775</u>
Fund Cash Balances, December 31				
Restricted		485,557	1,336,861	1,822,418
Unassigned	482,488			482,488
<i>Fund Cash Balances, December 31</i>	<u>\$482,488</u>	<u>\$485,557</u>	<u>\$1,336,861</u>	<u>\$2,304,906</u>

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$1,341,723		\$1,341,723
<i>Total Operating Cash Receipts</i>	<u>1,341,723</u>		<u>1,341,723</u>
Operating Cash Disbursements			
Personal Services	812,359		812,359
Contractual Services	277,960		277,960
Supplies and Materials	210,920		210,920
Claims	100,660		100,660
<i>Total Operating Cash Disbursements</i>	<u>1,401,899</u>		<u>1,401,899</u>
<i>Operating Income (Loss)</i>	<u>(60,176)</u>		<u>(60,176)</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments (proprietary funds only)	7,940		7,940
Principal Retirement	(335,897)		(335,897)
Interest and Other Fiscal Charges	(252,725)		(252,725)
Other Financing Sources	15,393	\$1,210	16,603
Other Financing Uses	(10,952)		(10,952)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(576,241)</u>	<u>1,210</u>	<u>(575,031)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(636,417)</u>	<u>1,210</u>	<u>(635,207)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,504,989</u>	<u>4,329</u>	<u>1,509,318</u>
<i>Fund Cash Balances, December 31</i>	<u>\$868,572</u>	<u>\$5,539</u>	<u>\$874,111</u>

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, 2012 AND 2011**

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 participates in the Public Entities Pool of Ohio public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project funds:

Street Improvement Fund – This fund receives municipal income tax monies and is used for street improvement projects.

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 fund accounts for Magistrate Court monies.

D. 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, 2012 AND 2011
(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 2012 and 2011 budgetary activity appears in Note 4.

E. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. **Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. **Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. **Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. **Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$303,151	\$4,282	\$307,433
Special Revenue	\$649,357	(\$4,282)	\$645,075

3. Equity in Pooled Deposits and Investments

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$2,650,811</u>	<u>\$3,179,017</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, 2012 AND 2011
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$913,956	\$970,852	\$56,896
Special Revenue	790,803	798,997	8,194
Capital Projects	150,750	507,586	356,836
Enterprise	1,946,700	1,889,812	(56,888)
Total	\$3,802,209	\$4,167,247	\$365,038

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,314,204	\$1,217,668	\$96,536
Special Revenue	965,642	879,686	85,956
Capital Projects	713,998	912,403	(198,405)
Enterprise	2,099,205	1,686,884	412,321
Total	\$5,093,049	\$4,696,641	\$396,408

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$890,838	\$1,114,993	\$224,155
Special Revenue	825,006	872,625	47,619
Capital Projects	174,450	216,949	42,499
Enterprise	1,239,450	1,365,056	125,606
Total	\$3,129,744	\$3,569,623	\$439,879

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,082,805	\$939,938	\$142,867
Special Revenue	1,135,301	1,032,143	103,158
Capital Projects	743,706	361,355	382,351
Enterprise	2,107,048	2,001,473	105,575
Total	\$5,068,860	\$4,334,909	\$733,951

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. 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.

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

6. 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.

7. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$3,866,452	5.77%
General Obligation Notes	\$46,096	5.00%
Total	<u>\$3,912,548</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 semiannual installments of \$272,561, including interest, over 30 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, 2012 AND 2011
(Continued)**

7. Debt (Continued)

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

Year ending December 31:	General Obligation Note	OWDA Loan
2013	\$44,124	\$99,941
2014	6,497	545,122
2015		545,122
2016		545,122
2017		545,122
2018-2022		2,725,611
2023-2025		1,635,367
Total	\$50,621	\$6,641,407

8. 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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, 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 2012 and 2011, 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, 2012.

9. Risk Management

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Government belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$33,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
36,038	31,323

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. Contingent Liabilities

The Village is a defendant in three lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of two of these matters will not materially adversely affect the Village's financial condition. However, should the Village be ordered to repay water payments received; the matter could adversely affect the financial condition of the village.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the year ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted during 2011 the Village adopted *Governmental Accounting Standards Board* Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We modified our opinion regarding a prior audit finding for adjustment not being made.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-003 and 2012-006 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001, 2012-004 and 2012-005 described in the accompanying schedule of findings to be significant deficiencies.

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, opining 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 2012-001 and 2012-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 21, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

<i>Finding Number</i>	2012-001
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MATERIAL NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Administrative Code Section 117-2-02(C)(1)

Ohio Administrative Code Section 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. They should design an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village does integrate the budgetary information into their system. However, the Village Clerk did not accurately post the amounts of appropriations approved by Council or the amounts of estimated resources as certified by the budget commission. The amounts posted in error are in the table below.

Year	Amount Certified by Budget Commission	Estimated Resources Posted to the Ledger	Variance
2012	\$3,802,209	\$3,132,209	(\$670,000)
Year	Appropriations Approved by Council	Appropriations Posted to the Ledgers	Variance
2011	\$5,068,860	\$5,061,005	(\$7,855)
2012	\$5,093,049	\$5,154,859	(\$61,810)

As the appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is necessary that the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger. As the original certificate and amendments establish the amounts available for expenditures in the Village and the receipt ledger provides the process by which the Village controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger. Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over Village expenditures and revenues, the Clerk should post to the ledgers, on a timely basis, appropriation amounts passed by Council and estimated resources as certified by the budget commission.

<i>Finding Number</i>	2012-002
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MATERIAL NONCOMPLIANCE

Ohio Revised Code Section 5705.41(D)

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) 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 67% of tested expenditures during the audit period. The Village did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

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.

<i>Finding Number</i>	2012-002 (Continued)
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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.

<i>Finding Number</i>	2012-003
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MATERIAL WEAKNESS

Posting of Receipts and Disbursements

The Village did not correctly post all receipts and disbursements in 2011 and 2012, resulting in adjustments to the financial statements. The Village Clerk has agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

2011:

Fund	Account Type	Amount	Description
Reclassifications			
General	Intergovernmental Revenue	\$50,082	Recorded as Local Taxes Revenue.
Garbage	Intergovernmental Revenue	\$136,587	Recorded as Local Taxes Revenue.
Fire Pension	Intergovernmental Revenue	\$7,189	Recorded as Local Taxes Revenue.
Police Pension	Intergovernmental Revenue	\$7,189	Recorded as Local Taxes Revenue.
Adjustments			
Ohio Public Works Commission	Intergovernmental Revenue Capital Outlay Expense	\$7,766	Monies paid on behalf of the Village had not been posted or reported.
Magistrate Court	Other Financing Sources	\$1,210	Not recorded on Village ledgers.

<i>Finding Number</i>	2012-003 (Continued)
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2012:

Fund	Account Type	Amount	Description
Reclassifications			
General	Intergovernmental Revenue	\$33,049	Recorded as Local Taxes Revenue.
Garbage	Intergovernmental Revenue	\$90,133	Recorded as Local Taxes Revenue.
Fire Pension	Intergovernmental Revenue	\$4,573	Recorded as Local Taxes Revenue.
Police Pension	Intergovernmental Revenue	\$4,573	Recorded as Local Taxes Revenue.
Adjustments			
Ohio Public Works Commission	Intergovernmental Revenue Capital Outlay Expenses	\$287,536	Monies paid on behalf of the Village had not been posted or reported.
General	Municipal Income Tax Revenue General Government Expenses	\$31,962	Not recorded on the Village ledger.
Garbage	Municipal Income Tax Revenue General Government Expenses	\$4,309	Not recorded on the Village ledger.
Recreation	Municipal Income Tax Revenue General Government Expenses	\$2,394	Not recorded on the Village ledger.
Senior Center	Municipal Income Tax Revenue General Government Expenses	\$958	Not recorded on the Village ledger.
Police and Drug	Municipal Income Tax Revenue General Government Expenses	\$120	Not recorded on the Village ledger.
Community Development	Municipal Income Tax Revenue General Government Expenses	\$120	Not recorded on the Village ledger.
Street Repair	Municipal Income Tax Revenue General Government Expenses	\$4,070	Not recorded on the Village ledger.
Capital Improvement	Municipal Income Tax Revenue General Government Expenses	\$3,591	Not recorded on the Village ledger.
Community Complex	Municipal Income Tax Revenue General Government Expenses	\$120	Not recorded on the Village ledger.
Fire Equipment	Municipal Income Tax Revenue General Government Expenses	\$120	Not recorded on the Village ledger.
Police Equipment	Municipal Income Tax Revenue General Government Expenses	\$120	Not recorded on the Village ledger.
Magistrate Court	Other Financing Sources	\$1,188	Not recorded on the Village ledger.
Magistrate Court	Other Financing Uses	\$223	Not recorded on the Village ledger.

<i>Finding Number</i>	2012-003 (Continued)
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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. 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.

<i>Finding Number</i>	2012-004
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SIGNIFICANT DEFICIENCY

Accurate Monthly Reconciliations

The Village failed to maintain accounting records sufficient to reasonably assure accountability for all transactions. Monthly bank reconciliations included fund balances and reconciling items that were incorrect and unsupported. The Village maintained separate bank accounts that were not properly included on the Village's reconciliations. The outstanding check lists presented were not accurate, and in some instances included checks that had already cleared the bank. The reconciliation process did not reflect accurate fund balances. Failure to maintain accurate monthly reconciliations increases the risk of discrepancies and errors going undetected. This also prohibits the Village from obtaining accurate cash balances at a given date.

In order to present accurate cash reconciliations, adjustments were posted to the Village's cash balances totaling \$877.33 in 2011 and are reflected in the accompanying financial statements.

The Magistrate Court, DARE, and Reinsurance bank accounts were not reconciled during our audit period.

The Village Clerk should prepare monthly bank reconciliations that include all Village accounts and an accurate outstanding check list. All reconciling items should be substantiated by supporting documentation, including all bank statements. The Clerk should investigate and document all discrepancies and errors when preparing the monthly reconciliation. Any adjustment should be fully documented when posted to the accounting records. The Clerk and Village Council should carefully review the weaknesses in the cash reconciliation process and develop internal controls, which will support the integrity of the Village's financial records and reports. A review process should be implemented whereby the Village Council would review ledgers, monthly financial statements and the monthly reconciliations, as well as the support for the monthly cash reconciliations and document the reviews.

Improving the cash reconciliation procedures will help strengthen control over the Village's assets, reduce the risk of errors going undetected and support the integrity of the Village's financial records.

Utility Revenue Cycle

<i>Finding Number</i>	2012-005
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SIGNIFICANT DEFICIENCY

The Village Water and Sewer collection cycle lacks sufficient internal controls and monitoring by the Village Administrator and Village Council. The following weaknesses were noted:

- Utility rates were not approved for large customers or large customers were not properly billed at the current rate in effect as set by Village Ordinance. This discrepancy resulted in a possible under-billing of such customers. During testing we identified \$63,590 in potential errors in the three items selected for testing.
- Supporting documentation for customer usage was not maintained for one of the bills selected for testing. This resulted in projected unsupported billings of \$10,338.
- Late fees were not consistently applied to customer accounts in accordance with Village Ordinance. This resulted in a projected amount of \$10,691 in late fees not properly charged.
- Subsidiary ledgers did not always agree with the Village ledgers. During testing we found that all cash receipts journals were not always maintained. A month-to-date or year-to-date receipt report from the computer system is not utilized by the Village utility department.
- Meter reading sheets were not maintained once entered into the computer system and were therefore, not available for audit.
- The Utility clearing account did not always clear to a \$0 balance. At December 31, 2012, the Village had a reconciled balance of \$12.94. Although this balance is not significant, it indicates the probability that errors have gone undetected.
- Non-cash adjustments were not always signed off on by the Village Administrator or other public official.
- Delinquent accounts reached \$557,977 in 2011 and \$105,724 in 2012. Although one account of a bankrupt customer's balance was \$465,016, the remaining balances were significant and the balance of this customer included multiple month's bills.

These practices have resulted in errors and irregularities in the process to collect, deposit, and post water and sewer revenue.

The Village Administrator should establish procedures by which utility payments will be collected, deposited, posted to the utility ledgers and remitted to the Village Treasurer. The procedures should include, but not be limited to, timely depositing, accurate posting to subsidiary ledgers, utility department ledgers and Village ledgers, monthly reconciliations, and retention of all documentation. All rates should be approved by the Village Administrator and approved by Council. Approved rates should be charged to all customers of the Village, with late fees being applied consistently. Any non-cash adjustments should be monitored by the Village Administrator and should be signed off, indicating approval. The Village Administrator should monitor delinquent utility accounts and follow procedures to ensure that amounts due are collected. The clearing account that is currently used by the utility clerk to account for all collections during the month should be cleared each month. The total monthly collections and an accurate break down of collections for each fund should be remitted to the Village Treasurer and should agree with computer-generated cash receipt reports.

By following the recommended steps the Village will increase controls over cash collections and decrease the risk that customers are under-billed and that delinquent utility revenues remain uncollected. These procedures will also ensure that amounts recorded by the Village as charges for services revenue are accurately stated.

<i>Finding Number</i>	2012-006
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MATERIAL WEAKNESS

Prior Year Finding for Adjustment Not Made

During 2010 the Village paid \$7,580 of the Village Administrator's salary from the Special Revenue Cemetery Fund. The wages were not paid in accordance with the purpose of the Special Revenue Cemetery Fund as required by Ohio Revised Code Section 5705.10 (H). The Village declined to make the adjustment.

The Village should make the prior adjustment to ensure accurate report and proper use of public funds.

Official's Response: We did not receive a response from officials for the comments listed above.

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**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Revised Code 5705.10, Finding for Adjustment totaling \$7,580	No	Repeated as Finding 2012-006
2010-02	Ohio Revised Code 5705.39, Appropriation exceeded estimated resources	Yes	
2010-03	Ohio Revised Code 5705.41 (D), failure to properly encumbered	No	Repeated as Finding 2012-002
2010-04	Ohio Revised Code 5705.41 (B), expenditures exceeded appropriations	Yes	
2010-05	Material Weakness, failure to accurately post all receipts and disbursements	No	Repeated as Finding 2012-003

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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
DECEMBER 3, 2013