



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
501 Commercial Street
Jefferson County
Mingo Junction, Ohio 43938

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Mingo Junction, Jefferson County, (the "Village") as of and for the years ended December 31, 2014 and 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 audit opinions.

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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

In 2014, the General account reconciliation included a reconciling item of \$1,973 that could not be substantiated. The Village declined to make the adjustment to reconcile accurately. Had the Village made the adjustment it would have reduced the 2014 ending General fund balance. 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 \$730,249 and \$607,446 at December 31, 2014 and 2013, respectively. The Special Revenue Fund Balance would have been \$407,816 and \$420,305 at December 31, 2014 and 2013, respectively. During 2014 and 2013 the Village received charges for services revenue in the Recreation Special Revenue Fund totaling \$27,604 and \$33,033, respectively, in which no supporting documentation was maintained for these receipts. The Village collected mayor's court costs of \$693 in 2014 and \$417 in 2013. The Village was unable to provide support for the receipts.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, based on the effect of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of the General, Special Revenue and Agency funds of the Village of Mingo Junction, Jefferson County as of December 31, 2014 and 2013, 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.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Capital Projects and Enterprise funds of the Village of Mingo Junction, Jefferson County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provision Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2016, 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 11, 2016

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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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$73,809	\$152,634		\$226,443
Municipal Income Tax	606,549	149,374	\$149,374	905,297
Intergovernmental	166,343	225,712	323,666	715,721
Charges for Services		123,531		123,531
Fines, Licenses and Permits	71,185			71,185
Miscellaneous	2,300	23,536		25,836
<i>Total Cash Receipts</i>	<u>920,186</u>	<u>674,787</u>	<u>473,040</u>	<u>2,068,013</u>
Cash Disbursements				
Current:				
Security of Persons and Property	441,020	203,867		644,887
Public Health Services	10,717	2,055		12,772
Leisure Time Activities		88,301		88,301
Community Environment		18,875		18,875
Basic Utility Services	6,131	258,920		265,051
Transportation	61,255	135,529		196,784
General Government	295,805	4,480	4,480	304,765
Capital Outlay	10,754	24,469	372,047	407,270
Debt Service:				
Principal Retirement			3,932	3,932
Interest and Fiscal Charges			15	15
<i>Total Cash Disbursements</i>	<u>825,682</u>	<u>736,496</u>	<u>380,474</u>	<u>1,942,652</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>94,504</u>	<u>(61,709)</u>	<u>92,566</u>	<u>125,361</u>
Other Financing Receipts (Disbursements)				
Transfers In		39,000		39,000
Transfers Out	(39,000)			(39,000)
Other Financing Sources	67,594	10,220	405	78,219
Other Financing Uses	(295)			(295)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>28,299</u>	<u>49,220</u>	<u>405</u>	<u>77,924</u>
<i>Net Change in Fund Cash Balances</i>	<u>122,803</u>	<u>(12,489)</u>	<u>92,971</u>	<u>203,285</u>
<i>Fund Cash Balances, January 1</i>	<u>615,026</u>	<u>412,725</u>	<u>423,574</u>	<u>1,451,325</u>
Fund Cash Balances, December 31				
Restricted	0	400,236	516,545	916,781
Assigned	4,669	0	0	4,669
Unassigned (Deficit)	733,160	0	0	733,160
<i>Fund Cash Balances, December 31</i>	<u>\$737,829</u>	<u>\$400,236</u>	<u>\$516,545</u>	<u>\$1,654,610</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, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,689,730		\$1,689,730
<i>Total Operating Cash Receipts</i>	<i>1,689,730</i>		<i>1,689,730</i>
Operating Cash Disbursements			
Personal Services	557,032		557,032
Contractual Services	411,321		411,321
Supplies and Materials	201,591		201,591
<i>Total Operating Cash Disbursements</i>	<i>1,169,944</i>		<i>1,169,944</i>
<i>Operating Income (Loss)</i>	<i>519,786</i>		<i>519,786</i>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(122,126)		(122,126)
Principal Retirement	(389,665)		(389,665)
Interest and Other Fiscal Charges	(291,214)		(291,214)
Other Financing Sources	417,974	\$693	418,667
Other Financing Uses	(3,738)	(28)	(3,766)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(388,769)</i>	<i>665</i>	<i>(388,104)</i>
<i>Net Change in Fund Cash Balances</i>	<i>131,017</i>	<i>665</i>	<i>131,682</i>
<i>Fund Cash Balances, January 1</i>	<i>1,069,348</i>	<i>6,917</i>	<i>1,076,265</i>
<i>Fund Cash Balances, December 31</i>	<i>\$1,200,365</i>	<i>\$7,582</i>	<i>\$1,207,947</i>

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, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$81,141	\$172,348		\$253,489
Municipal Income Tax	458,082	113,234	\$114,949	686,265
Intergovernmental	165,793	234,805	90,198	490,796
Charges for Services		194,906		194,906
Fines, Licenses and Permits	92,932			92,932
Earnings on Investments	11	5		16
Miscellaneous	2,623	6,539		9,162
<i>Total Cash Receipts</i>	<u>800,582</u>	<u>721,837</u>	<u>205,147</u>	<u>1,727,566</u>
Cash Disbursements				
Current:				
Security of Persons and Property	422,595	215,363		637,958
Public Health Services	11,263	2,229		13,492
Leisure Time Activities		87,304		87,304
Community Environment		20,229		20,229
Basic Utility Services	3,286	280,150		283,436
Transportation	34,143	157,615		191,758
General Government	329,776	3,386		333,162
Capital Outlay	11,233	4,999	307,821	324,053
Debt Service:				
Principal Retirement			42,794	42,794
Interest and Fiscal Charges			1,329	1,329
<i>Total Cash Disbursements</i>	<u>812,296</u>	<u>771,275</u>	<u>351,944</u>	<u>1,935,515</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,714)</u>	<u>(49,438)</u>	<u>(146,797)</u>	<u>(207,949)</u>
Other Financing Receipts (Disbursements)				
Transfers In	362,999	47,665		410,664
Transfers Out	(47,665)		(362,999)	(410,664)
Other Financing Sources	76,191	9,630	1,326	87,147
Other Financing Uses	(457)			(457)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>391,068</u>	<u>57,295</u>	<u>(361,673)</u>	<u>86,690</u>
<i>Net Change in Fund Cash Balances</i>	<u>379,354</u>	<u>7,857</u>	<u>(508,470)</u>	<u>(121,259)</u>
<i>Fund Cash Balances, January 1</i>	<u>235,672</u>	<u>404,868</u>	<u>932,044</u>	<u>1,572,584</u>
Fund Cash Balances, December 31				
Restricted	0	412,725	423,574	836,299
Assigned	4,669	0	0	4,669
Unassigned (Deficit)	610,357	0	0	610,357
<i>Fund Cash Balances, December 31</i>	<u>\$615,026</u>	<u>\$412,725</u>	<u>\$423,574</u>	<u>\$1,451,325</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, 2013**

	<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	\$1,596,691		\$1,596,691
<i>Total Operating Cash Receipts</i>	<u>1,596,691</u>		<u>1,596,691</u>
Operating Cash Disbursements			
Personal Services	745,528		745,528
Contractual Services	336,964		336,964
Supplies and Materials	150,781		150,781
<i>Total Operating Cash Disbursements</i>	<u>1,233,273</u>		<u>1,233,273</u>
<i>Operating Income (Loss)</i>	<u>363,418</u>		<u>363,418</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	11		11
Capital Outlay	(294,942)		(294,942)
Principal Retirement	(45,137)		(45,137)
Interest and Other Fiscal Charges	(54,804)		(54,804)
Other Financing Sources	33,017	\$417	33,434
Other Financing Uses	(3,715)	(227)	(3,942)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(365,570)</u>	<u>190</u>	<u>(365,380)</u>
<i>Net Change in Fund Cash Balances</i>	(2,152)	190	(1,962)
<i>Fund Cash Balances, January 1</i>	<u>1,071,500</u>	<u>6,727</u>	<u>1,078,227</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,069,348</u>	<u>\$6,917</u>	<u>\$1,076,265</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, 2014 AND 2013**

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 8 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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:

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

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

Fire Equipment Fund – This fund receives municipal income tax monies and is used for the purchase of fire equipment for the fire department.

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.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **Summary of Significant Accounting Policies - (Continued)**

E. Budgetary Process

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

1. Appropriations

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

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 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 2014 and 2013 budgetary activity appears in Note 3.

F. 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.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies - (Continued)

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.

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.

G. 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.

H. 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 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:

	2014	2013
Demand deposits	<u>\$2,862,557</u>	<u>\$2,527,590</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, 2014 AND 2013
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$931,276	\$987,780	\$56,504
Special Revenue	690,037	724,007	33,970
Capital Projects	142,300	473,445	331,145
Enterprise	2,099,635	2,107,704	8,069
Total	\$3,863,248	\$4,292,936	\$429,688

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,314,001	\$959,481	\$354,520
Special Revenue	854,039	736,496	117,543
Capital Projects	382,512	380,474	2,038
Enterprise	2,229,874	1,976,687	253,187
Total	\$4,780,426	\$4,053,138	\$727,288

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,229,460	\$1,239,772	\$10,312
Special Revenue	826,167	779,132	(47,035)
Capital Projects	117,250	206,473	89,223
Enterprise	1,625,650	1,629,719	4,069
Total	\$3,798,527	\$3,855,096	\$56,569

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,312,747	\$860,418	\$452,329
Special Revenue	861,055	771,275	89,780
Capital Projects	812,726	714,943	97,783
Enterprise	1,874,681	1,631,871	242,810
Total	\$4,861,209	\$3,978,507	\$882,702

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(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.

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, 2014 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$6,229,006	5.77%, 1.00%
Ohio Public Works Commission Loan	37,182	0%
Total	\$6,266,188	

The Ohio Water Development Authority (OWDA) loans relate to a water plant expansion project and a Lincoln Avenue sewer project. The OWDA approved loans to the Village for these projects. The Village will repay the loans in semiannual installments of \$384,602, including interest, over 30 years. During 2013, the Village and OWDA reached an agreement to modify the Village's payments and extend the life of the water plant expansion project loan. This resulted in an \$807,150 reduction in the loan amount. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to a bridge replacement. The OPWC approved loans to the Village for this project. The Village will repay the loans in semiannual installments of \$630 over 30 years.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	OWDA <u>Loans</u>	OPWC <u>Loan</u>
2015	\$680,207	\$1,260
2016	680,207	1,261
2017	680,206	1,260
2018	679,630	1,261
2019	679,625	1,260
2020-2024	3,401,033	6,302
2025-2029	1,735,921	6,302
2030-2034	540,327	6,302
2035-2039		6,302
2040-2044		<u>5,672</u>
Total	<u>\$9,077,156</u>	<u>\$37,182</u>

7. Retirement Systems

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. OP&F participants contributed 10% of their wages from January 1, 2013 to June 30, 2013, 10.75% of their wages from July 1, 2013 to June 30, 2014 and 11.5% of their wages from July 1, 2014 to December 31, 2014. For 2014 and 2013, 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 2014 and 2013, 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, 2014.

8. Risk Management

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

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

The Village 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), 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, 2014 AND 2013
(Continued)**

8. 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, 2014, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$25,634.

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>2013</u>	<u>2014</u>
\$38,549	\$38,839

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

9. Transfers

The Village made the following transfers:

2014:

FUND	TRANSFER IN	TRANSFER OUT
General		\$39,000
Cops Fast Grant	\$2,000	
Employee Benefit	2,000	
Fire Pension	18,000	
Police Pension	17,000	
Total	39,000	39,000

2013:

FUND	TRANSFER IN	TRANSFER OUT
General	\$362,999	\$47,665
Employee Benefit	2,100	
Senior Citizen	5,000	
Fire Pension	20,000	
Police Pension	20,565	
Community Complex		362,999
Total	410,664	410,664

In 2013, the Village petitioned the Jefferson County Court of Common Pleas to transfer the unexpended balance in the Community Complex Fund to the General Fund. Approval was granted June 11, 2013. Monies were used to finance village operations.

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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
501 Commercial Street
Jefferson County
Mingo Junction, Ohio 43938

To the 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 cash balances, receipts, and disbursements by fund type of the Village of Mingo Junction, Jefferson County, (the "Village") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 11, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the General, Special Revenue and Agency funds regarding a Finding for Adjustment not made to accurately reflect the bank reconciliation at December 31, 2014 and for a prior audit finding for adjustment not made. In addition, the Village lacked supporting documentation regarding Recreation Special Revenue Fund charges for services receipts and Agency Fund mayor's court costs collected.

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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 2014-001 through 2014-004 described in the accompanying schedule of findings to be material weaknesses.

Internal Control Over Financial Reporting - (Continued)

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 finding 2014-005 described in the accompanying schedule of findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

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

January 11, 2016

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

Noncompliance/Material Weakness

Mayor's Court Collections

Ohio Rev. Code § 733.40 requires all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the municipality shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month and all fees collected by state cases be deposited with the county treasury on the first business day of each month. **Ohio Rev. Code § 2949.094(1)** provides amounts to be charged for each type of offense and requires monies collected for state cost be remitted to the state by the 20th day of the month. The Court should assign offender payments on offenses toward the satisfaction of the court costs until they have been entirely paid.

The Village collected costs in the amount of \$693 in 2014 and \$417 in 2013, which represents payments made on tickets that were issued prior to the Village dissolving the Mayor's Court. None of the collected costs were remitted to the Village or State Treasury. In addition, the Mayor's Court Agency fund has a balance of \$7,582 and \$6,917 as of December 31, 2014 and 2013, which is a cumulative effect of costs being collected and not remitted for several years. Also, bank charges of \$254 were charged during the period for the Mayor's Court bank account. The Village was unable to provide support for the receipts so these monies could not be properly tested. This resulted in an opinion qualification.

The Village should implement procedures to help ensure collection and remittance of the proper costs. The payments should be assigned to court costs until they have been entirely paid, and then to additional fines and fees. The Deputy Clerk should remit payment to the proper entities, included the Village and the State Treasurer. To aid in the remittance, the most recent form should be obtained from the Treasurer of State, completed, and remitted to the state with the costs collected in a timely manner. By following these procedures, the court will help ensure proper reporting and compliance.

The Village should seek the advice of legal counsel on how to distribute the remaining balance and should communicate said legal opinion with the State and the Auditor of State. Once completed, the Village should dissolve the account to avoid additional bank charges.

A referral will be made to the Treasurer of Ohio.

FINDING NUMBER 2014-002

Finding For Adjustment / Material Weakness

Reconciliation Process

The reconciliation of the accounting records of the Village to the cash and investment (bank) balances is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation allows for accounting errors, theft and fraud to occur without timely detection. The Village Auditor is responsible for reconciling the Village's book (fund) balance to the total bank balance on a monthly basis.

An examination of the Village's cash reconciliation as of December 31, 2014 identified the following concerns:

- The General account reconciliation included a reconciling item of \$1,973. Village personnel stated this was the result of audit adjustments made in the prior audit, however, when comparing the prior audited balances to the balances in the accounting system the amounts agreed. No further explanation or documentation was provided to support this figure. In addition, a check received for Cemetery charges for services revenue was deposited in the correct amount of \$700, however, only \$450 was posted to the accounting system. This variance could be attributed to the figure identified above;
- The Payroll clearing account reconciliation included a check totaling \$37,596 that was deposited in to the account on December 30, 2014 but not recorded until January 2015 and had to be reflected as a reconciling item on the bank reconciliation. In addition, the clearing account had an unreconciled balance of \$5,401;
- The Water and Sewer clearing account had an unreconciled balance totaling \$65 and the Mayor's court account balance was \$7,583 when it should have been \$0, In addition, monthly reconciliations are not performed over these clearing accounts; and
- The Emergency Medical Services account balance was not receipted to the Village Auditor's office until February 27, 2015.

The net effect of these errors resulted in the Village's cash fund balances exceeding their depository balances. Currently, the Village does not have a process for reconciling all accounts or obtaining support for other reconciling items. Failure to reconcile the clearing accounts on a monthly basis and properly support each figure on the bank reconciliation could result in an audit adjustment to the financial statements.

The Village failed to adjust their records for the \$1,973 variance and a Finding for Adjustment is made in favor of the General Fund.

The Village Auditor and Deputy Clerk should maintain all bank statements and supporting documentation used to prepare the monthly cash reconciliations and prepare monthly reconciliations over the clearing accounts. The Village should continue to investigate their financial records to determine the origin of the variance, and take corrective action to help ensure this situation does not occur in the future.

FINDING NUMBER 2014-003

Material Weakness

Posting Receipts and Disbursements

Sound financial reporting is the responsibility of the Village Auditor, Deputy Clerk, and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village Deputy Clerk was inconsistent in posting transactions to the accounting system and failed to post magistrate court activity to the ledgers. The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village's accounting records:

2014:

FUND	ACCOUNT TYPE	AMOUNT	DESCRIPTION
Mayor's Court	Other Financing Sources	\$693	To record Mayor's Court receipts not posted to the Village's accounting system.
Mayor's Court	Other Financing Uses	28	To record Mayor's Court disbursements not posted to the Village's accounting system.
Capital Projects	Intergovernmental Receipts and Capital Outlay Expenses	316,171	To record Ohio Public Works Commission on-behalf payments.
Sewer Improvement Capital Projects	Other Financing Sources and uses	405,240	To reclassify loan reimbursements from the Ohio Water Development Authority posted as other financing use instead of source.

2013:

FUND	ACCOUNT TYPE	AMOUNT	DESCRIPTION
Mayor's Court	Other Financing Sources	\$417	To record Mayor's Court receipts not posted to the Village's accounting system.
Mayor's Court	Other Financing Uses	227	To record Mayor's Court disbursements not posted to the Village's accounting system.
Capital Projects	Intergovernmental Receipts and Capital Outlay Expenses	23,140	To record Ohio Public Works Commission on-behalf payments.

**FINDING NUMBER 2014-003
(Continued)**

In addition, we noted errors in the posting of cemetery and confirmable receipts, however, amounts were not material and no adjustments to the financial statements were required.

The Auditor and Deputy Clerk should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

FINDING NUMBER 2014-004

Material Weakness

Compensation Adjustment

During 2010, the Village paid \$7,580 of the Village Administrator's salary from the Cemetery Special Revenue Fund. The wages were not paid in accordance with the purpose of the Cemetery Special Revenue Fund as required by **Ohio Rev. Code Section 5705.10 (H)**. The Village declined to make the adjustment noted in the 2009/2010 audit report as finding number 2010-001.

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

FINDING NUMBER 2014-005

Significant Deficiency

Recreation Receipts

The Village's procedures for collecting recreation revenue lacked effective internal controls. Supporting documentation was not maintained for park rentals, concessions, and daily pool entry receipts. Such receipts accounted for \$27,604 and \$33,033 in 2014 and 2013, respectively. The lack of documentation resulted in a qualification over recreation receipts.

The Village lacked policies and procedures over recreation receipts. The risk of not addressing these weaknesses increases the risk of theft and/or fraud of village assets and that recreation receipts are not accurately reported.

Specific policies and procedures for the recreation receipts should be established, approved by the governing board and made available to employees. The policies and procedures should include but not be limited to:

- The governing board should adopt a formal fee schedule that includes rates for all recreation receipts (i.e. including concessions);

**FINDING NUMBER 2014-005
(Continued)**

Supporting documentation should be maintained for concession stand receipts (i.e. tally sheets, or cash register tapes). This supporting documentation should be reconciled to monies collected each day and signed off on by a supervisor.

- Duplicate pre-numbered receipts should be used for all rental monies collected. Each receipt should contain the renter's name, date paid, date of the event, amount paid, and the type of rental.

Establishing and implementing internal control policies and procedures for the recreation receipt cycle may help ensure the Village is collecting the revenue that is due and reporting the revenue accurately.

Officials' Response: No responses were received to the about findings.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Administrative Code Section 117-2-02(C)(1)The Village did not accurately post the amounts of Council-approved appropriations and amounts of estimated resources to the accounting system.	Yes	
2012-002	Ohio Rev. Code Section 5705.41(D), several expenditures were not properly encumbered.	No	Not Corrected. Repeated in the Management Letter.
2012-003	The Village did not accurately post all receipts and disbursements.	No	Not Corrected. Re-issued as Finding 2014-003.
2012-004	The Village presented inaccurate and unsupported monthly bank reconciliations.	No	Not Corrected. Re-issued as Finding 2014-002.
2012-005	The Utilities Department lacked sufficient internal controls and monitoring.	No	Not Corrected. This comment was repeated in the Management Letter.
2012-006	Ohio Revised Code 5705.10, Finding for Adjustment totaling \$7,580.	No	Not Corrected. Re-issued as Finding 2014-004.



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
MARCH 1, 2016