

***VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2003 & 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
Village of Mineral City
8728 N. High
Mineral City, Ohio 44656

We have reviewed the Independent Auditor's Report of the Village of Mineral City, Tuscarawas County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Mineral City is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 16, 2005

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**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY
For Years Ending December 31, 2003 and 2004**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

**The Honorable Mayor and Members
of Village Council
Village of Mineral City
Mineral City, Ohio**

We have audited the accompanying financial statements of the Village of Mineral City (the Village), as of and for the years ended December 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances as of December 31, 2004 and 2003, and its combined statements of cash receipts, disbursements, and changes in fund cash balances for the years then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 17, 2005 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
March 17, 2005

VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND
FUND CASH BALANCES - ALL FUND TYPES
For the Year Ended December 31, 2003 and 2004

	2003 Balances	2004 Balances
Cash and Cash Equivalents	82,986	92,925
	\$ 82,986	\$ 92,925

Cash Balances by Fund Class

Governmental Fund Types:

General Fund	35,917	33,686
Special Revenue Funds	40,500	52,269
Debt Service Funds	6,569	6,970
Totals	\$ 82,986	\$ 92,925

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property Tax and Other Local Taxes	\$ 42,373	\$ 4,314	\$ 16,037	-	\$ 62,724
Municipal Income Taxes	43,087	-	-	-	43,087
Charges for Services	20,000	-	-	-	20,000
Intergovernmental	28,877	37,196	-	-	66,073
Fines, Licenses and Permits	4,096	-	-	-	4,096
Interest	578	127	-	-	705
Other	5,016	2,523	-	-	7,539
Total Receipts	144,027	44,160	16,037	-	204,224
Disbursements:					
General Government	70,424	30,748	-	-	101,172
Security of Persons & Property	4,558	8,819	-	-	13,377
Community Environment	2,500	-	-	-	2,500
Basic Utilities	11,987	6,247	-	-	18,234
Public Health Services	162	-	-	-	162
Transportation	9,659	13,689	-	-	23,348
Leisure time Activities	8,086	-	-	-	8,086
Capital Outlay	48,780	707	-	-	49,487
Debt Service	-	-	17,335	-	17,335
Total Disbursements	156,156	60,210	17,335	-	233,701
Receipts over(under) disbursements	(12,129)	(16,050)	(1,298)	-	(29,477)
Other Financing Sources (Uses)					
Sale of Fixed Assets	9,600	-	-	-	9,600
Transfers in	-	20,000	-	-	20,000
Transfers out	(20,000)	-	-	-	(20,000)
Advances in	21,450	-	-	21,450	42,900
Advances out	(21,450)	-	-	(21,450)	(42,900)
Other Financing uses	(4,392)	-	-	-	(4,392)
Total Other Financing Sources (Uses)	(14,792)	20,000	-	-	9,600
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(26,921)	3,950	(1,298)	-	(24,269)
Fund Balance 1/1/2003	62,838	36,550	7,867	-	107,255
Fund Balance 12/31/2003	<u>\$ 35,917</u>	<u>\$ 40,500</u>	<u>\$ 6,569</u>	<u>-</u>	<u>\$ 82,986</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				(Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Total
Receipts:					
Property Tax and Other Local Taxes	\$ 39,374	\$ 3,446	\$ 17,721	-	\$ 60,541
Municipal Income Taxes	34,710	-	-	-	34,710
Charges for Services	20,000	-	-	-	20,000
Intergovernmental	37,783	69,781	-	\$ 21,450	129,014
Fines, Licenses and Permits	3,876	-	-	-	3,876
Interest	431	95	-	-	526
Other	8,569	1,932	-	-	10,501
Total Receipts	144,743	75,254	17,721	21,450	259,168
Disbursements:					
General Government	55,474	30,992	-	-	86,466
Security of Persons & Property	2,864	4,690	-	-	7,554
Community Environment	1,400	-	-	-	1,400
Basic Utilities	11,545	6,425	-	-	17,970
Public Health Services	290	-	-	-	290
Transportation	14,329	13,319	-	-	27,648
Leisure time Activities	6,367	-	-	-	6,367
Capital Outlay	25,717	-	-	21,450	47,167
Debt Service	-	-	17,320	-	17,320
Total Disbursements	117,986	55,426	17,320	21,450	212,182
Receipts over(under) disbursements	26,757	19,828	401	-	46,986
Other Financing Sources (Uses)					
Sale of Fixed Assets	-	-	-	-	-
Transfers in	-	21,000	-	-	21,000
Transfers out	(21,000)	-	-	-	(21,000)
Advances in	21,450	-	-	21,450	42,900
Advances out	(21,450)	-	-	(21,450)	(42,900)
Other Financing uses	(7,988)	(29,059)	-	-	(37,047)
Total Other Financing Sources (Uses)	(28,988)	(8,059)	-	-	-
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(2,231)	11,769	401	-	9,939
Fund Balance 1/1/2004	35,917	40,500	6,569	-	82,986
Fund Balance 12/31/2004	<u>\$ 33,686</u>	<u>\$ 52,269</u>	<u>\$ 6,970</u>	<u>-</u>	<u>\$ 92,925</u>

See accompanying Notes to the Financial Statements.

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Mineral City, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including park operations (leisure time activities), fire protection, and EMS (Emergency Medical Assistance) services. The Village also contracts its fire services to surrounding townships.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

The Village is associated with a certain organization defined as a Jointly Governed Organization under Governmental Accounting Standards Board (GASB) Statement No. 14, Reporting Entity. This organization is the Mineral – Sandy Ambulance District and is discussed further in Note 9.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Certificates of deposit are valued at cost.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

from the activities reported in other funds. The restrictions associated with each class of funds are as follows

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance & Repair
- State Highway
- FEMA Federal Grants
- Permissive Motor Vehicle License
- Other

Capital Projects Fund: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village has the following Capital Projects Fund:

- Other Capital Projects Fund

Debt Service Funds: These funds are used to account for receipts that are restricted for the payment of Village debt. The Village has the following Debt Service Funds:

- Firetruck

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary statements reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in note 6, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources.

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 6.

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$92,925	\$82,986

Deposits: The FDIC insured all of deposits.

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

Public utilities are also taxed on personal and real property located within the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Tuscarawas County Treasurer collects property tax on behalf of all taxing Villages within the County. The Tuscarawas County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% 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 taxpayer pay estimated taxes quarterly and file a declaration annually.

5. DEFINED BENEFIT PENSION PLAN

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

5. DEFINED BENEFIT PENSION PLAN - (Continued)

Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement and 10% for law enforcement. For local government employer units the rate was 13.55% of covered payroll for other than law enforcement and 16.70% for law enforcement. The Village has paid all contributions required through December 31, 2004.

6. BUDGETARY ACTIVITY

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$135,235	\$175,077	\$ 39,842
Special Revenue	78,825	64,160	(14,665)
Debt Service	<u>16,000</u>	<u>16,037</u>	<u>37</u>
Total	<u>\$230,060</u>	<u>\$255,274</u>	<u>\$ 25,214</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$194,723	\$201,998	\$ (7,275)
Special Revenue	73,500	60,210	13,290
Debt Service	<u>18,000</u>	<u>17,335</u>	<u>665</u>
Total	<u>\$286,223</u>	<u>\$279,543</u>	<u>\$ 6,680</u>

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$145,901	\$166,193	\$ 20,292
Special Revenue	69,632	96,254	26,622
Debt Service	17,000	17,721	721
Capital Projects	<u>21,450</u>	<u>42,900</u>	<u>21,450</u>
Total	<u>\$253,983</u>	<u>\$323,068</u>	<u>\$69,085</u>

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

6. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$172,585	\$168,424	\$ 4,161
Special Revenue	74,700	84,485	(9,785)
Debt Service	18,000	17,320	680
Capital Projects	<u>-0-</u>	<u>42,900</u>	<u>(42,900)</u>
Total	<u>\$265,285</u>	<u>\$313,129</u>	<u>\$(47,844)</u>

7. DEBT

Debt outstanding at December 31, 2004 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bond - 1998	\$61,873	5.60%

The General Obligation Bond relates to the purchase of two fire trucks. The bond is being repaid in semiannual installments, including interest, over 10 years.

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

Year ending December 31:	General Obligation Bonds
2005	\$17,295
2006	17,273
2007	17,249
2008	17,224
Total	<u>\$69,041</u>

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- General Liability and casual

**VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2004**

8. RISK MANAGEMENT – (Continued)

- Public Official's Liability
- Errors and omissions

Settled claims have not exceeded commercial coverage in the past three years. Also, there have been no material reductions in coverage during the past three years.

9. JOINTLY GOVERNED ORGANIZATIONS

The Mineral – Sandy Ambulance District (District) is a jointly governed organization. The District is a joint ambulance district formed under Ohio Rev. Code Section 505.71. This District provides ambulatory services to the Village of Mineral City and to Precinct 1 of Sandy Township. A two member Board of Directors, comprised of one member from the Village of Mineral City and one member from Sandy Township, Precinct 1, governs the District. The Board secures a clerk to maintain board records and to establish and maintain the financial records of the District. The District is supported financially by a tax levy approved by the voters along with all finances collected from private insurance individuals and third party payers such as Medicare, Medicaid, and private insurance carriers. The Board exercises total authority for the day-to-day operations of the District. The Board may levy taxes and issue bonds and other evidence of indebtedness. The District may purchase, lease, maintain, and use all materials, equipment, vehicles, buildings, and land necessary to perform its duties. The Village has no financial responsibility for any of the District's liabilities. Complete financial statements can be obtained from the Mineral – Sandy Ambulance District, Tuscarawas County, Ohio.

10. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41.(B), the Village had expenditures which exceeded appropriations in the General Fund in 2003 and the FEMA Federal Grant (Special Revenue) and Capital Projects Fund in 2004.

Contrary to Ohio Rev. Code Section 5705.40, the Village had certain appropriation amendments for both years, which were not approved by Council.

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Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and Members
of Village Council
Village of Mineral City
Mineral City, Ohio

We have audited the financial statements of the Village of Mineral City (Village) as of and for the years ended December 31, 2003 and 2004, and have issued our report thereon dated March 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we reported to the management of the Village of Mineral City, Ohio in separate letter dated March 17, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item number 2004-VMCTC-001 and 2004-VMCTC-002. We also noted certain additional matters that we reported to management of the Village in a separate letter dated March 17, 2005.

Village of Mineral City
Tuscarawas County
Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Required by *Government Auditing Standards*

This report is intended solely for the information and use of the management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
March 17, 2005

VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 and 2004

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

FINDING NUMBER 2004-VMCTC-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2004, fund level disbursements plus outstanding encumbrances exceeded appropriations within the following funds:

<u>2004</u>	<u>Disbursements Plus Encumbrances</u>	<u>Final Appropriations</u>
<u>Special Revenue Fund:</u>		
FEMA Federal Grant	\$ 28,874	-0-
<u>Capital Projects Fund:</u>		
Capital Projects Fund	42,900	-0-
<u>2003</u>		
General Fund	\$201,997	\$194,723

FINDING NUMBER 2004-VMCTC-002

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation.

During 2004, the Village amended appropriations ranging up to \$29,502 at the fund level without Village Council approval. Appropriations reflected within the financial statements were adjusted accordingly. As the Village's legislative authority, Council should approve all supplemental appropriations prior to the Village Clerk amending the Village's appropriations.

VILLAGE OF MINERAL CITY
TUSCARAWAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2004

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2002-31279-001	Expenditures exceeded appropriations at the fund level in certain funds.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2004-VMCTC-001
2002-31279-002	Village amended appropriations without Village Council approval	NO	This is repeated in the schedule of Findings as item 2004-VMCTC-002



**Auditor of State
Betty Montgomery**

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800-282-0370

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VILLAGE OF MINERAL CITY

TUSCARAWAS 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
AUGUST 30, 2005**