



Mary Taylor, CPA
Auditor of State

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 31, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Mingo Junction, Jefferson County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

August 31, 2009

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Local Taxes	\$2,003,973	\$929,411	\$655,065	\$42,004	\$3,630,453
Intergovernmental	304,644	830,318		3,357	1,138,319
Charges for Services		230,693			230,693
Fines, Licenses and Permits	57,054	633			57,687
Earnings on Investments	31,144	7,786	4,322	12,569	55,821
Miscellaneous	14,988	38,115			53,103
Total Cash Receipts	2,411,803	2,036,956	659,387	57,930	5,166,076
Cash Disbursements:					
Current:					
Security of Persons and Property	1,142,348	180,629	48,886	156,622	1,528,485
Public Health Services	13,454	8,005			21,459
Leisure Time Activities	27,237	292,613	61,425		381,275
Basic Utility Service		544,928			544,928
Transportation	487,804	235,820	253,728		977,352
General Government	432,472	73,006	15,248		520,726
Debt Service:					
Redemption of Principal			30,347		30,347
Interest and Fiscal Charges			10,100		10,100
Capital Outlay	126,444	246,723	227,640		600,807
Total Cash Disbursements	2,229,759	1,581,724	647,374	156,622	4,615,479
Total Receipts Over/(Under) Disbursements	182,044	455,232	12,013	(98,692)	550,597
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes			227,640		227,640
Sale of Fixed Assets	14,055				14,055
Transfers-In		56,000	22,000	110,000	188,000
Transfers-Out	(188,000)				(188,000)
Advances-In	412,491				412,491
Advances-Out		(412,491)			(412,491)
Other Financing Sources	76,131	3,213	1,875		81,219
Other Financing Uses		(410)			(410)
Total Other Financing Receipts / (Disbursements)	314,677	(353,688)	251,515	110,000	322,504
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	496,721	101,544	263,528	11,308	873,101
Fund Cash Balances, January 1	1,042,311	676,134	1,085,573	133,518	2,937,536
Fund Cash Balances, December 31	\$1,539,032	\$777,678	\$1,349,101	\$144,826	\$3,810,637

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

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$2,220,849		\$2,220,849
Total Operating Cash Receipts	2,220,849		2,220,849
Operating Cash Disbursements:			
Personal Services	1,003,943		1,003,943
Contractual Services	294,634		294,634
Supplies and Materials	359,506		359,506
Total Operating Cash Disbursements	1,658,083		1,658,083
Operating Income/(Loss)	562,766		562,766
Non-Operating Cash Receipts:			
Property and Other Local Taxes		\$3,053,020	3,053,020
Earnings on Investments	50,006		50,006
Miscellaneous Receipts	13,925		13,925
Other Non-Operating Cash Receipts	4,870		4,870
Total Non-Operating Cash Receipts	68,801	3,053,020	3,121,821
Non-Operating Cash Disbursements:			
Capital Outlay	133,405		133,405
Redemption of Principal	268,383		268,383
Interest and Other Fiscal Charges	320,239		320,239
Other Non-Operating Cash Disbursements	8,809	3,053,020	3,061,829
Total Non-Operating Cash Disbursements	730,836	\$3,053,020	3,783,856
Net Receipts Over/(Under) Disbursements	(99,269)		(99,269)
Fund Cash Balances, January 1	2,811,906		2,811,906
Fund Cash Balances, December 31	\$2,712,637		\$2,712,637

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

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Local Taxes	\$1,595,627	\$820,537	\$509,436	\$43,508	\$2,969,108
Municipal Income Tax		188,442			188,442
Intergovernmental	313,401			1,441	314,842
Fines, Licenses and Permits	61,313	213,736			275,049
Earnings on Investments	74,878	18,721	7,397	28,652	129,648
Miscellaneous	5,580	101,801			107,381
Total Cash Receipts	2,050,799	1,343,237	516,833	73,601	3,984,470
Cash Disbursements:					
Current:					
Security of Persons and Property	1,037,258	175,615	158,947	144,135	1,515,955
Public Health Services	14,372	8,684			23,056
Leisure Time Activities	26,185	301,340	103,461		430,986
Basic Utility Service		518,703			518,703
Transportation	373,207	213,283	263,541		850,031
General Government	392,841	124,899	45,698	18,386	581,824
Capital Outlay	58,088	231,806			289,894
Total Cash Disbursements	1,901,951	1,574,330	571,647	162,521	4,210,449
Total Receipts Over/(Under) Disbursements	148,848	(231,093)	(54,814)	(88,920)	(225,979)
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	275				275
Transfers-In		47,000		90,000	137,000
Transfers-Out	(137,000)				(137,000)
Advances-In		262,281			262,281
Advances-Out	(262,281)				(262,281)
Other Financing Sources	39,768	10,803	10,642		61,213
Other Financing Uses	(45)	(1,156)			(1,201)
Total Other Financing Receipts / (Disbursements)	(359,283)	318,928	10,642	90,000	60,287
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(210,435)	87,835	(44,172)	1,080	(165,692)
Fund Cash Balances, January 1	1,252,746	588,299	1,129,745	132,438	3,103,228
Fund Cash Balances, December 31	\$1,042,311	\$676,134	\$1,085,573	\$133,518	\$2,937,536

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,839,663		\$2,839,663
Total Operating Cash Receipts	<u>2,839,663</u>		<u>2,839,663</u>
Operating Cash Disbursements:			
Personal Services	833,095		833,095
Contractual Services	327,759		327,759
Supplies and Materials	562,383		562,383
Total Operating Cash Disbursements	<u>1,723,237</u>		<u>1,723,237</u>
Operating Income/(Loss)	<u>1,116,426</u>		<u>1,116,426</u>
Non-Operating Cash Receipts:			
Property and Other Local Taxes		\$2,409,632	2,409,632
Earnings on Investments	110,917		110,917
Miscellaneous Receipts	13,453		13,453
Other Non-Operating Cash Receipts	2,492		2,492
Total Non-Operating Cash Receipts	<u>126,862</u>	<u>2,409,632</u>	<u>2,536,494</u>
Non-Operating Cash Disbursements:			
Capital Outlay	50,296		50,296
Redemption of Principal	268,383		268,383
Interest and Other Fiscal Charges	320,239		320,239
Other Non-Operating Cash Disbursements	13,416	2,409,632	2,423,048
Total Non-Operating Cash Disbursements	<u>652,334</u>	<u>\$2,409,632</u>	<u>3,061,966</u>
Net Receipts Over/(Under) Disbursements	590,954		590,954
Fund Cash Balances, January 1	<u>2,220,952</u>		<u>2,220,952</u>
Fund Cash Balances, December 31	<u>\$2,811,906</u>		<u>\$2,811,906</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, 2008 AND 2007**

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 and fire services

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificate of deposits at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

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

Fire Equipment Fund – This fund is used to buy fire equipment for the Village.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Fire Disability and Pension Fund – This fund is used to make contribution to the Ohio Police and Firefighter Pension Plan.

Police Disability and Pension Fund – This fund is used to make contribution to the Ohio Police and Firefighter Pension Plan.

5. 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.

6. 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 income tax monies.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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. The County Budget Commission must also approve the annual appropriation measure.

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 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$5,419,860	\$4,672,376
Certificates of deposit	1,103,414	1,077,066
Total deposits	<u>\$6,523,274</u>	<u>\$5,749,442</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, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,469,105	\$2,501,989	\$32,884
Special Revenue	2,038,191	2,096,169	57,978
Capital Projects	679,050	910,902	231,852
Enterprise	2,287,125	2,289,650	2,525
Permanent	181,882	167,930	(13,952)
Total	\$7,655,353	\$7,966,640	\$311,287

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,348,969	\$2,417,759	(\$68,790)
Special Revenue	1,549,620	1,582,134	(32,514)
Capital Projects	669,892	647,374	22,518
Enterprise	2,834,232	2,388,919	445,313
Permanent	175,700	156,622	19,078
Total	\$7,578,413	\$7,192,808	\$385,605

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,811,474	\$2,090,842	\$279,368
Special Revenue	1,203,985	1,401,040	197,055
Capital Projects	446,750	527,475	80,725
Enterprise	2,292,000	2,966,525	674,525
Permanent	163,140	163,602	462
Total	\$5,917,349	\$7,149,484	\$1,232,135

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,459,935	\$2,038,996	\$420,939
Special Revenue	1,634,189	1,575,486	58,703
Capital Projects	760,250	571,647	188,603
Enterprise	2,954,878	2,375,571	579,307
Permanent	175,245	162,521	12,724
Total	\$7,984,497	\$6,724,221	\$1,260,276

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Emergency Medical Service, Community Development Block Grant, Senior Citizen, Street Improvement, Fire Equipment and Utility Deposit funds for the year ended December 31, 2008.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$4,997,808	6%
General Obligation Notes	197,293	5%
Total	<u>\$5,195,101</u>	

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

The General Obligation Note was secured through Huntington National Bank for the purchase of fire equipment.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT- (Continued)

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

Year ending December 31:	OWDA Loan	General Obligation Notes
2009	588,622	\$44,124
2010	588,622	44,124
2011	588,622	44,124
2012	588,622	44,124
2013	588,622	44,124
2014-2018	\$2,943,110	6,498
2019-2021	\$1,471,554	
Total	\$7,357,774	\$227,118

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, 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 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 31, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-005 and 2008-006 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-006 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 31, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 31, 2009.

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



Mary Taylor, CPA
Auditor of State

August 31, 2009

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

On December 16, 2008, purchase order number 46-8-115 was prepared to request reimbursement to the Senior Center petty cash fund for alcohol purchased for the annual Christmas party. The purchase order was prepared and approved by Darla Sue Zorbini, Senior Center Director and the purchase order was certified by Rocco Petrozzi, Village Clerk. On December 23, 2008, check # 23582 was issued to reimburse the petty cash fund in the amount of \$443.42 for the alcohol purchased. As stated above, the purchase of alcohol is not a proper use of public monies.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Darla Sue Zorbini in the amount of \$443.42 and in favor of the Senior Center Fund of the Village of Mingo Junction.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074, Ohio Rev. Code Section 9.39, *State ex rel. Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att’y Gen. No. 80-074.24.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money is hereby issued against Rocco Petrozzi, Village Clerk, and his bonding company, Auto-Owners Insurance, jointly and severally, in the amount of \$443.42, and in favor of the Senior Center Fund of the Village of Mingo Junction. Rocco Petrozzi will only be liable to the extent that recovery is not obtained from Darla Sue Zorbini.

FINDING NUMBER 2008-002

Finding for Recovery Repaid Under Audit

Ohio Revised Code Section 149.351 states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

Additionally, all expenditures made by a governmental entity are required to serve a proper public purpose. *State ex. Rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951). This determination is prospective in nature, is to be made by the legislative authority of the entity, and will be upheld unless found to be arbitrary or unreasonable. See **OAG 82-006, Auditor of State Bulletins 2003-005, 2004-002**.

The Village issued check # 20839 to village employee Kim Crugnale on October 31, 2007 in the amount of \$253.54. The employee indicated this check was a reimbursement for supplies purchased; however, no evidence was presented to substantiate the validity of the reimbursement. A purchase order for the purchase had not been prepared and there was no invoice for the expenditure.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery of public money illegally expended is hereby issued against Kim Crugnale in the amount of \$253.54 and in favor of the General Fund of the Village of Mingo Junction.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074, Ohio Rev. Code Section 9.39, *State ex rel. Village of Linndale v. Mastern* (1985); 19 Ohio St. 3d. 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or stolen property. 1980 Att'y Gen. No. 80-074.24.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money is hereby issued against Rocco Petrozzi, Village Clerk, and his bonding company, Auto-Owners Insurance, jointly and severally, in the amount of \$253.54, and in favor of the General Fund of the Village of Mingo Junction. Rocco Petrozzi will only be liable to the extent that recovery is not obtained from Kim Crugnale.

FINDING NUMBER 2008-003

Noncompliance Citation

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

**FINDING NUMBER 2008-003
(Continued)**

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

- 1. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners 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 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 did not certify the amount against the applicable appropriation accounts for 30% of tested expenditures in each year of the audit period. The Village did not utilize the certification exceptions described above.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but it is also 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 Village Clerk should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases 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 to authorize disbursements. The Village Clerk should sign the certification at the time the Village incurs a commitment and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Village Clerk should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2008-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Village's actual disbursement's exceeded appropriations for the following funds in 2008:

FUND	APPROPRIATIONS	DISBURSEMENTS	VARIANCE
General	\$2,348,969	\$2,417,759	(\$ 68,790)
EMS	\$97,100	\$111,006	(\$13,906)
Senior Citizens	\$61,873	\$102,965	(\$41,092)
Fire Equipment	\$51,892	\$285,873	(\$233,981)
Ohio Public Works	\$0	\$69,084	(\$69,084)

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

FINDING NUMBER 2008-005

Significant Deficiency

In 2008, no evidence was presented that all appropriation amendments posted to the accounting records were approved by Village Council. The Village Council approved appropriations and amendments totaling \$7,578,413; however, appropriations totaling \$8,378,035 were posted to the accounting records. The variance between the approved amount and amount posted was \$799,622.

As the permanent appropriations and subsequent amendments establish the legal spending authority of the Village, and the accurate maintenance of the appropriation ledger provides the process by which the Village controls spending, it is necessary that only amounts appropriated by council are posted to the appropriation ledger. No amendments should be posted to the accounting records unless legally authorized by Council and noted in the minute record.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. Posting unauthorized appropriation amendments to the accounting system is illegal, and could also impact the Village's spending and cash balances. To effectively control the budgetary cycle and to maintain accountability over Village expenditures, the Village Clerk should post to the ledgers, on a timely basis, only those appropriation amounts passed by Council. Council should also monitor budget versus actual reports to ensure supplemental and amended appropriations have been properly posted, and that no unauthorized appropriation amendments are posted to the accounting records.

FINDING NUMBER 2008-006

Significant Deficiency/Material Weakness

Posting Receipts and Disbursements

The Village did not post all receipts and disbursements in 2007 and 2008, 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.

**FINDING NUMBER 2008-006
 (Continued)**

Fund Name	Account Type	Amount	Description
2007			
Transit Authority	Intergovernmental Revenue	\$1,572	Homestead & Rollback had not been posted or reported.
Senior Citizen	Leisure Time Disbursement Miscellaneous Revenue	\$97,378 \$101,801	The financial activity of the Senior Center had not been posted or reported.
2008			
Ohio Public Works Commission	Capital Outlay Intergovernmental Revenue	\$69,084	Monies paid on behalf of the Village had not been posted or reported.
Senior Citizen	Leisure Time Disbursement Miscellaneous Revenue	\$4,191 (\$1,184)	Disbursements and miscellaneous revenue had been posted incorrectly.
Fire Equipment	Capital Outlay Sale of Notes	\$227,640	A debt issue and the related expenditure had not been posted or reported

Failure to consistently post all transactions increases the possibility the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. 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.

Officials' Repsonse:

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

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**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 5705.41(D), failure to properly certify expenditures	No	Reissued as Finding 2008-003
2006-002	OAC 117-2-02, financial activity of the senior was not reflected on ledgers	Yes	N/A
2006-003	OAC 117-2-02 Failure to properly code receipts and disbursement	No	Reissued as Finding 2008-006



Mary Taylor, CPA
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
NOVEMBER 5, 2009**