



Dave Yost • Auditor of State

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016	6
Notes to the Financial Statements For the Year Ended December 31, 2016.....	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2015	16
Notes to the Financial Statements For the Year Ended December 31, 2015.....	17
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
Schedule of Findings.....	27
Summary Schedule of Prior Audit Findings (Prepared by Management)	33

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To 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, 2016 and 2015.

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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

During 2010 the Village paid \$7,580 of the Village Administrator's salary from the Special Revenue Cemetery Fund. The wages were not paid in accordance with the purpose of the Special Revenue Cemetery Fund as required by Ohio Revised Code Section 5705.10 (H). The Village declined to make the adjustment. Had the Village agreed to the adjustment the General Fund Balance would have been \$650,287 and \$667,649 at December 31, 2016 and 2015, respectively. The Special Revenue Fund Balance would have been \$456,099 and 452,058 at December 31, 2016 and 2015 respectively. In addition, the Village collected mayor's court costs of \$120 in 2015. The Village was unable to provide support for the receipts and remaining balance as of December 31, 2016 and 2015.

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 and Special Revenue and Agency funds of the Village of Mingo Junction, Jefferson County as of December 31, 2016 and 2015, 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, 2016 and 2015, 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(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 September 25, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2017

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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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$69,677	\$208,817		\$278,494
Municipal Income Tax	554,786	136,627	\$136,627	828,040
Intergovernmental Revenue	149,943	245,181		395,124
Charges for Services		171,707		171,707
Fines, Licenses and Permits	74,865			74,865
Miscellaneous	24,648	2,939		27,587
<i>Total Cash Receipts</i>	<u>873,919</u>	<u>765,271</u>	<u>136,627</u>	<u>1,775,817</u>
Cash Disbursements				
Current:				
Security of Persons and Property	473,567	210,139		683,706
Public Health Services	12,001	16,010		28,011
Leisure Time Activities		85,616		85,616
Community Environment		19,120		19,120
Basic Utility		349,240		349,240
Transportation	4,120	117,939		122,059
General Government	16,748	4,490	4,490	25,728
Capital Outlay	337,245	37,965	182,344	557,554
Debt Service:				
Principal Retirement			7,064	7,064
Interest and Fiscal Charges			789	789
<i>Total Cash Disbursements</i>	<u>843,681</u>	<u>840,519</u>	<u>194,687</u>	<u>1,878,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,238</u>	<u>(75,248)</u>	<u>(58,060)</u>	<u>(103,070)</u>
Other Financing Receipts (Disbursements)				
Transfers In		61,000		61,000
Transfers Out	(61,000)			(61,000)
Other Debt Proceeds			61,475	61,475
Other Financing Sources	13,400	18,289	66,520	98,209
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(47,600)</u>	<u>79,289</u>	<u>127,995</u>	<u>159,684</u>
<i>Net Change in Fund Cash Balances</i>	<u>(17,362)</u>	<u>4,041</u>	<u>69,935</u>	<u>56,614</u>
<i>Fund Cash Balances, January 1</i>	<u>675,229</u>	<u>444,478</u>	<u>535,967</u>	<u>1,655,674</u>
Fund Cash Balances, December 31				
Restricted	-	448,519	605,902	1,054,421
Assigned	556,177			556,177
Unassigned (Deficit)	101,690			101,690
<i>Fund Cash Balances, December 31</i>	<u>\$657,867</u>	<u>\$448,519</u>	<u>\$605,902</u>	<u>\$1,712,288</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, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,800,575		\$1,800,575
Interest		\$9	\$9
<i>Total Operating Cash Receipts</i>	<u>1,800,575</u>	<u>9</u>	<u>1,800,584</u>
Operating Cash Disbursements			
Personal Services	501,797		501,797
Contractual Services	250,657		250,657
Supplies and Materials	166,078		166,078
Capital Outlay	63,430		63,430
Other		9	9
<i>Total Operating Cash Disbursements</i>	<u>981,962</u>	<u>9</u>	<u>981,971</u>
<i>Operating Income (Loss)</i>	<u>818,613</u>	<u>0</u>	<u>818,613</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(429,526)		(429,526)
Interest and Other Fiscal Charges	(145,668)		(145,668)
Other Financing Sources	32,522		32,522
Other Financing Uses	(2,400)		(2,400)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(545,072)</u>	<u>0</u>	<u>(545,072)</u>
<i>Net Change in Fund Cash Balances</i>	273,541	0	273,541
<i>Fund Cash Balances, January 1</i>	<u>1,106,803</u>	<u>7,673</u>	<u>1,114,476</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,380,344</u></u>	<u><u>\$7,673</u></u>	<u><u>\$1,388,017</u></u>

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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, 2016
(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.

Sewer Improvement Fund – This fund accounts for loan proceeds which are used to make improvements to the sewer system. Utility charges will be used to repay this loan.

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Magistrate Court monies.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2016 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, 2016
(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:

	2016
Demand deposits	<u>\$3,100,305</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, 2016
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$732,486	\$887,319	\$154,833
Special Revenue	752,646	844,560	91,914
Capital Projects	115,500	264,622	149,122
Enterprise	1,671,000	1,833,097	162,097
Total	\$3,271,632	\$3,829,598	\$557,966

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,407,947	\$904,681	\$503,266
Special Revenue	974,239	840,519	133,720
Capital Projects	238,669	194,687	43,982
Enterprise	1,770,691	1,559,556	211,135
Total	\$4,391,546	\$3,499,443	\$892,103

Contrary to Ohio Rev. Code § 5705. 39, appropriations exceeded total estimated revenue in several funds.

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA #3083	\$3,745,170	5.77%
OWDA #6577	1,882,590	1%
OPWC CT76M	34,661	0%
OPWC CT54N	153,230	0%
First National Bank	55,821	2.65%
Total	\$5,871,472	

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 \$272,562 and \$67,541 respectively, including interest, over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. OWDA will final the amortization schedule for Loan #6577 in 2018.

The Ohio Public Works Commission (OPWC) loan CT76M 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.

The Ohio Public Works Commission (OPWC) loan CT 54N relates to the replacement of an existing water main and sanitary sewer network, installation of a storm sewer and a full width roadway pavement replacement. The Village will make semiannual installments of \$2,642.

The First National Bank loan is for a Village LED light replacement project. The Village will repay the loan amount at a monthly payment of \$1,099 for five years.

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

Year ending December 31:	OWDA #3083	OWDA #6577	OPWC CT76M	OPWC CT54N	First National Bank
2017	545,125	\$135,082	1,260	5,284	13,186
2018	545,125	135,082	1,260	5,284	13,186
2019	545,125	135,082	1,260	5,284	13,186
2020	545,125	135,082	1,261	5,284	13,186
2021	545,125	135,082	1,261	5,284	6,593
2022-2026	2,180,499	675,411	6,302	26,419	
2027-2031		675,411	6,302	26,419	
2032-2036		337,705	6,302	26,419	
2037-2041			6,302	26,419	
2042-2046			3,151	21,134	
Total	\$4,906,124	\$2,363,937	\$34,661	\$153,230	\$59,337

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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.

For 2016, OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2016, 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, 2016.

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2016, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$24,494.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

8. RISK MANAGEMENT (Continued)

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>2016 Contributions to PEP</u>
<u>\$ 38,880</u>

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.

9. TRANSFERS

The Village made the following transfers:

2016:

FUND	TRANSFER IN	TRANSFER OUT
General		\$61,000
Employee Benefit	\$1,000	
Fire Pension	40,000	
Police Pension	20,000	
Total	61,000	61,000

**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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$76,672	\$229,980		\$306,652
Municipal Income Tax.	529,074	130,295	130,294	789,663
Intergovernmental Revenue	165,048	239,943		404,991
Charges for Services		192,866		192,866
Fines, Licenses and Permits	56,973			56,973
Miscellaneous	2,609	2,923		5,532
<i>Total Cash Receipts</i>	<u>830,376</u>	<u>796,007</u>	<u>130,294</u>	<u>1,756,677</u>
Cash Disbursements				
Current:				
Security of Persons and Property	458,765	233,564		692,329
Public Health Services	12,666	7,084		19,750
Leisure Time Activities		102,927		102,927
Community Environment		18,377		18,377
Basic Utility	6,508	264,152		270,660
Transportation	57,972	159,856		217,828
General Government	360,465	3,293	4,049	367,807
Capital Outlay	1,307	29,952	108,108	139,367
Debt Service:				
Principal Retirement			630	630
<i>Total Cash Disbursements</i>	<u>897,683</u>	<u>819,205</u>	<u>112,787</u>	<u>1,829,675</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,307)</u>	<u>(23,198)</u>	<u>17,507</u>	<u>(72,998)</u>
Other Financing Receipts (Disbursements)				
Transfers In		59,000		59,000
Transfers Out	(59,000)			(59,000)
Other Financing Sources	63,707	8,440	1,915	74,062
<i>Total Other Financing Receipts (Disbursements)</i>	<u>4,707</u>	<u>67,440</u>	<u>1,915</u>	<u>74,062</u>
<i>Net Change in Fund Cash Balances</i>	<u>(62,600)</u>	<u>44,242</u>	<u>19,422</u>	<u>1,064</u>
<i>Fund Cash Balances, January 1</i>	<u>737,829</u>	<u>400,236</u>	<u>516,545</u>	<u>1,654,610</u>
Fund Cash Balances, December 31				
Restricted	-	444,478	535,967	980,445
Assigned	584,416			584,416
Unassigned (Deficit)	90,813			90,813
<i>Fund Cash Balances, December 31</i>	<u>\$675,229</u>	<u>\$444,478</u>	<u>\$535,967</u>	<u>\$1,655,674</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, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,712,420		\$1,712,420
Fines, Licenses and Permits		\$121	121
<i>Total Operating Cash Receipts</i>	<u>1,712,420</u>	<u>121</u>	<u>1,712,541</u>
Operating Cash Disbursements			
Personal Services	543,169		543,169
Contractual Services	323,546		323,546
Supplies and Materials	210,069		210,069
Capital Outlay	360,812		360,812
Other		30	30
<i>Total Operating Cash Disbursements</i>	<u>1,437,596</u>	<u>30</u>	<u>1,437,626</u>
<i>Operating Income (Loss)</i>	<u>274,824</u>	<u>91</u>	<u>274,915</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	262,243		262,243
Principal Retirement	(406,779)		(406,779)
Interest and Other Fiscal Charges	(274,058)		(274,058)
Other Financing Sources	53,468		53,468
Other Financing Uses	(3,260)		(3,260)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(368,386)</u>	<u>0</u>	<u>(368,386)</u>
<i>Net Change in Fund Cash Balances</i>	(93,562)	91	(93,472)
<i>Fund Cash Balances, January 1</i>	<u>1,200,365</u>	<u>7,582</u>	<u>1,207,947</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,106,803</u>	<u>\$7,673</u>	<u>\$1,114,476</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, 2015**

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 provide 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, 2015
(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.

Permanent Improvement Fund – This fund is used to make improvements to village properties.

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, 2015
(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 2015 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, 2015
(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:

	2015
Demand deposits	<u>\$2,770,150</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, 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$722,938	\$894,083	\$171,145
Special Revenue	761,025	863,447	102,422
Capital Projects	115,000	132,209	17,209
Enterprise	1,826,000	1,995,033	169,033
Total	\$3,424,963	\$3,884,772	\$459,809

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,393,071	\$956,683	\$436,388
Special Revenue	905,899	819,205	86,694
Capital Projects	128,280	112,787	15,493
Enterprise	2,167,486	2,121,693	45,793
Total	\$4,594,736	\$4,010,368	\$584,368

Contrary to Ohio Rev. Code § 5705. 39, appropriations exceeded total estimated revenue in several funds.

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA #3083	\$4,056,249	5.77%
OWDA #6577	1,995,753	1%
OPWC CT76M	35,921	0
Total	\$6,087,924	

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.

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

Year ending December 31:	OWDA #3083	OWDA #6577	OPWC CT76M
2016	545,125	135,082	1,260
2017	478,835	135,082	1,260
2018	484,659	135,082	1,260
2019	490,819	135,082	1,261
2020	497,334	135,082	1,261
2021-2025	2,560,364	675,411	6,302
2026-2030		675,411	6,302
2031-2035		472,787	6,302
2036-2040			6,302
2041-2045			4,411
Total	\$5,057,136	\$2,499,019	\$35,921

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.

For 2015, OP&F participants contributed 10% of their wages, after July 1, 2014 this rate increased to 11.75% and then after July 1, 2015 it was increased to 12.25%. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, 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, 2015.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

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. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

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, 2015, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$25,059.

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.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

8. RISK MANAGEMENT (Continued)

Contributions to PEP 2015

\$39,776

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.

9. TRANSFERS

The Village made the following transfers:

2015:

FUND	TRANSFER IN	TRANSFER OUT
General		\$59,000
Employee Benefit	2,000	
Fire Pension	25,000	
Police Pension	32,000	
Total	<u>59,000</u>	<u>59,000</u>



Dave Yost • Auditor of State

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

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

To 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, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 25, 2017 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 and Special Revenue funds for a prior audit adjustment not made. In addition, the Village lacked supporting documentation for Agency Fund mayor's court costs collected and the remaining balance in the mayor's court fund.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 2016-001 through 2016-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-005 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-002 and 2016-006.

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.

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

Dave Yost
Auditor of State
Columbus, Ohio

September 25, 2017

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

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 may allow for accounting errors, theft and fraud to occur without timely detection. The Village Clerk/Deputy Clerk 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 identified the following concerns:

- The General account reconciliation included a reconciling item of \$1,973. Village personnel indicated this was a prior audit adjustment not properly posted in the system. The Village posted this adjustment to the ledgers and the amount is reflected in the accompanying financial statements.
- The payroll clearing account had an unreconciled balance of (\$5,935.63) in 2016 and \$2,754.95 in 2015.

The Village did not have procedures in place to ensure accurate monthly reconciliations which increases the risk of theft/fraud over the cash cycle.

Village Council should adopt procedures regarding the cash reconciliation process. The Village Auditor and Deputy Clerk should reconcile all bank accounts on a monthly basis and investigate any variances. Monthly reports detailing the reconciling of the book to bank balances should be presented to the Council for review and approval as noted in the minutes.

FINDING NUMBER 2016-002

Noncompliance/Material Weakness

Mayor's Court Collection

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 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 \$120 in 2015, which represents fines 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 \$7,673 as of December 31, 2016 and 2015, which is a cumulative effect of costs being collected and not remitted for several years. Also, bank charges of \$30 in 2015 and \$9 in 2016 along with \$9 interest earned during the period were noted in the Mayor's Court bank account. The Village was unable to provide support for the receipt in this fund so these monies could not be tested. The village stated the \$120 was collected by Capital Recovery on the Village's behalf.

**FINDING NUMBER 2016-002
(Continued)**

As a result of this and the village not being able to identify whether the balance in this fund belonged to the village or the state resulted in an opinion modification.

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, including 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 Village may 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 Treasurer and the Auditor of State. Once the monies are distributed, the Village should close the account to avoid further monthly charges. This matter will be referred to the Treasurer of State.

FINDING NUMBER 2016-003

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. This resulted in an opinion modification.

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

FINDING NUMBER 2016-004

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. The following weaknesses were noted and subsequent adjustments made to the financial statements and, where applicable, to the Village's accounting records:

**FINDING NUMBER 2016-004
 (Continued)**

2015 Adjustments:			
FUND	Adjusted to:	Amount	Reason for adjustment:
Mayor's Court	Cash balance	\$946	To record Mayor's Court activity from the prior audit not posted to the Village's accounting system.
General	General Government Expense	1,973	Balancing entry from prior audits
Sewer Improvement	Debt Proceeds	229,145	Principal issued not posted to ledger
Sewer Improvement	Capital Outlay	229,145	Memo expenditures paid by OWDA not posted to ledger
2015 Reclassifications:			
Fund	Reclassified to:	Amount	Reclassified from:
General	Assigned Fund Balance	584,416	Unassigned Fund Balance

2016 Reclassifications:			
FUND	Reclassified to:	Amount	Reclassified from:
Capital Improvement	Other Debt Proceeds	61,475	Classified as Other Financing Sources
General	Assigned Fund Balance	556,177	Unassigned Fund Balance

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

The village did not have procedures in place to properly record the above items. Failure to consistently follow a uniform chart of accounts increases the possibility the Village will not be able to identify, assemble, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Village 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 2016-005

Significant Deficiency

Utility Revenue Cycle

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

- Ordinance 2016-14 establishing utility rates for sewer was not implemented as approved. Rate increase for sewer was effective 8/1/16 and was not implemented until 10/1/16. This resulted in a loss of revenue for the village.
- The Village does not have a policy over non-cash adjustments. Non-cash adjustments were not approved/signed off on by the Village Administrator or other public official. Upon review of utility records, 91 adjustments were made in 2015 and no adjustment sheets or authorization was maintained in the Utility Office. In 2016, 216 adjustments were made and only 15 adjustment sheets were maintained. Of those adjustments, only 5 were signed by a Village official. No documentation or explanation for adjustments was noted.
- The Customer Delinquent Account report is not properly maintained. Delinquencies as of December 31, 2016 totaled \$909,639 which contains \$465,016 (mill bankruptcy and uncollectible) and several other inactive and uncollectible accounts. Currently, the Village runs a delinquency report five days after the date bills are to be paid and a 24 hour shutoff notice is provided. However, there is no evidence the Village is adhering to their policy nor do they submit these to the County Auditor once a year for subsequent collection.
- In 2016 we noted 4 monthly reports were not submitted timely by the Utility Clerk to the Village Deputy Clerk.

These matters could result in lost revenue for the Village.

The Village Administrator should establish procedures by which utility payments will be collected. The procedures should include, but not be limited to, timely depositing, accurate posting to subsidiary ledgers, utility department ledgers and Village ledgers. Any non-cash adjustments should be monitored by the Village Administrator and should be maintained and signed off by a Village official indicating approval. The Village Administrator should monitor delinquent utility accounts and follow procedures to ensure amounts due are accurate and collected either by the Village, an outside agency hired by the Village or by submitting delinquencies to the County once a year to be placed on the customers property tax bill.

By following the recommended steps, the Village may help strengthen controls over cash collections and decrease the risk that customers are under-billed and that delinquent utility revenues remain uncollected.

FINDING NUMBER 2016-006

Noncompliance

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

2015:

Fund	Appropriations	Total Estimated Resources	Variance	%
Cops FAST	\$25,115	\$97	\$25,018	99%

2016:

Fund	Appropriations	Total Estimated Resources	Variance	%
Recreation	\$97,382	\$76,008	\$21,374	22%
EMS	180,140	155,857	24,283	13%
Cops FAST	28,755	9,153	19,602	68%
Water Revenue	1,242,797	1,187,081	55,716	4%

Failure to limit appropriations to the amount of available revenue could result in overspending and negative cash balances.

The Village Auditor should compare appropriations to actual resources to gain assurance that adequate resources are available. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by village council to reduce the appropriations.

Auditee's Response: No responses received.

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**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2014-001	Mayors Court Collections	No	Not corrected. Re-issued as 2016-002
2014-002	Reconciliation Process	No	Not corrected. Re-issued as 2016-001
2014-003	Posting Receipts and Disbursements	No	Not corrected. Re-issued as 2016-004.
2014-004	Compensation Adjustment	No	Not corrected. Re-issued as 2016-003.
2014-005	Recreation Receipts	Yes	

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Dave Yost • Auditor of State

VILLAGE OF MINGO JUNCTION

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 9, 2017