



**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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KEITH FABER



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Members of Council
Village of Mingo Junction
501 Commercial Street
Mingo Junction, OH 43938

We have reviewed the *Independent Auditor's Report* of the Village of Mingo Junction, Jefferson County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 16, 2019

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VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 30, 2019

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, 2018 and 2017.

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 such 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.

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

As described in Note 2 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, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Village was unable to provide support for the remaining balance in its Mayor's Court Agency Fund as of December 31, 2018 and 2017.

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 cash balances, receipts and disbursements by fund type, and related notes of the Agency Funds of the Village of Mingo Junction, Jefferson County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the General, Special Revenue, Capital Projects and Enterprise Funds of the Village of Mingo Junction, Jefferson County, as of December 31, 2018 and 2017, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, 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 cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 82,077	\$ 245,740	\$ -	\$ 327,817
Municipal Income Tax	700,141	172,423	172,453	1,045,017
Intergovernmental	139,103	203,020	300	342,423
Charges for Services	-	165,463	-	165,463
Fines, Licenses and Permits	100,137	360	-	100,497
Miscellaneous	3,808	1,339	2,100	7,247
	<u>1,025,266</u>	<u>788,345</u>	<u>174,853</u>	<u>1,988,464</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	656,560	255,328	-	911,888
Public Health Services	11,791	11,270	-	23,061
Leisure Time Activities	-	99,664	-	99,664
Community Environment	-	15,345	-	15,345
Basic Utility Services	5,426	351,059	-	356,485
Transportation	16,774	143,322	-	160,096
General Government	348,645	4,853	5,332	358,830
Capital Outlay	1,645	216,575	188,113	406,333
Debt Service:				
Principal Retirement	-	30,692	1,260	31,952
Interest and Fiscal Charges	-	4,584	-	4,584
	<u>1,040,841</u>	<u>1,132,692</u>	<u>194,705</u>	<u>2,368,238</u>
Total Cash Disbursements				
Excess of Receipts Over (Under) Disbursements	<u>(15,575)</u>	<u>(344,347)</u>	<u>(19,852)</u>	<u>(379,774)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	-	200,208	-	200,208
Transfers In	-	79,000	-	79,000
Transfers Out	(79,000)	-	-	(79,000)
Other Financing Sources	42,279	11,313	4,721	58,313
	<u>(36,721)</u>	<u>290,521</u>	<u>4,721</u>	<u>258,521</u>
Total Other Financing Receipts (Disbursements)				
<i>Net Change in Fund Cash Balances</i>	(52,296)	(53,826)	(15,131)	(121,253)
<i>Fund Cash Balances, January 1</i>	<u>775,156</u>	<u>461,586</u>	<u>656,255</u>	<u>1,892,997</u>
Fund Cash Balances, December 31				
Nonspendable	4,669	-	-	4,669
Restricted	-	407,760	641,124	1,048,884
Assigned	705,698	-	-	705,698
Unassigned	12,493	-	-	12,493
	<u>722,860</u>	<u>407,760</u>	<u>641,124</u>	<u>1,771,744</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 722,860</u>	<u>\$ 407,760</u>	<u>\$ 641,124</u>	<u>\$ 1,771,744</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 2,265,466	\$ -	\$ 2,265,466
		-	
Total Operating Cash Receipts	<u>2,265,466</u>	<u>-</u>	<u>2,265,466</u>
Operating Cash Disbursements:			
Personal Services	551,275	-	551,275
Contractual Services	341,224	-	341,224
Supplies and Materials	262,529	-	262,529
		-	
Total Operating Cash Disbursements	<u>1,155,028</u>	<u>-</u>	<u>1,155,028</u>
Operating Income	<u>1,110,438</u>	<u>-</u>	<u>1,110,438</u>
Non-Operating Receipts (Disbursements):			
Other Debt Proceeds	26,110	-	26,110
Capital Outlay	(193,672)	-	(193,672)
Principal Retirement	(458,137)	-	(458,137)
Interest and Other Fiscal Charges	(154,520)	-	(154,520)
Other Financing Sources	12,000	-	12,000
Other Financing Uses	(1,650)	-	(1,650)
		-	
Total Non-Operating Receipts (Disbursements)	<u>(769,869)</u>	<u>-</u>	<u>(769,869)</u>
<i>Net Change in Fund Cash Balances</i>	340,569	-	340,569
<i>Fund Cash Balances, January 1</i>	<u>1,740,222</u>	<u>7,673</u>	<u>1,747,895</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,080,791</u>	<u>\$ 7,673</u>	<u>\$ 2,088,464</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
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting 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.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

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

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:

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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.

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.

Basis of Accounting

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 Board 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.

Budgetary Process

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

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.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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.

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.

A summary of 2018 budgetary activity appears in Note 4.

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 invests all available funds in checking and savings accounts.

Capital Assets

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

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.

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:

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

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.

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General, Recreation, and EMS funds for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 875,563	\$ 1,067,545	\$ 191,982
Special Revenue	780,066	1,078,866	298,800
Capital Projects	143,550	179,574	36,024
Enterprise	1,993,400	2,303,576	310,176
Total	\$ 3,792,579	\$ 4,629,561	\$ 836,982

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,663,407	\$ 1,119,841	\$ 543,566
Special Revenue	1,224,092	1,132,692	91,400
Capital Projects	234,002	194,705	39,297
Enterprise	2,184,072	1,963,007	221,065
Total	\$ 5,305,573	\$ 4,410,245	\$ 895,328

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2018 was as follows:

Demand deposits	<u>\$ 3,858,108</u>
Total deposits	<u><u>\$ 3,858,108</u></u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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.

Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from, 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.

Note 7 – 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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

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

<u>2018 Contributions to PEP</u> <u>\$25,799</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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Ohio Police and Fire Retirement System

Village's Certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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. The Village has paid all contributions required through December 31, 2018.

Social Security

Some of the village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 - Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA #3083	\$ 3,068,130	5.77%
OWDA #6577	1,704,824	1.00%
OPWC CT76M	32,140	0.00%
OPWC CT54N	142,662	0.00%
2017 First National Bank Loan	92,864	2.75%
2018 First National Bank Loan	194,430	3.99%
Kansas State Bank - Excavator	-	0.00%
OWDA #7791	26,110	0.00%
Total	\$ 5,261,160	

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. These loans are being repaid from the Water and Sewer Funds.

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. This loan is being repaid from the Street Improvement Fund.

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. This loan is being repaid from the Sewer Fund.

The 2017 First National Bank loan is for a Village Garbage Truck. The Village will repay the loan amount at a monthly payment of \$2,327 for five years. This loan is being repaid from the Garbage Fund.

The 2018 First National Bank loan is for a Village Ambulance. The Village will repay the loan amount at a monthly payment of \$3,697 for five years. This loan is being repaid from the EMS Fund

The Ohio Water Development Authority (OWDA) loan #7791 relates to sewer flow monitoring and sewer improvements phase 2. There was no amortization schedule available as of the date of this audit report. This loan will be repaid out of the Sewer Improvement Fund.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 10 – Debt (Continued)

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

Year ending December 31:	OWDA #3083	OWDA #6577	OPWC CT76M	OPWC CT54M	2017 First National Bank	2018 First National Bank
2019	\$ 490,819	\$ 122,675	\$ 1,260	\$ 5,284	\$ 27,919	\$ 44,363
2020	497,334	122,675	1,260	5,284	27,919	44,363
2021	504,225	122,675	1,260	5,284	27,919	44,363
2022	511,514	122,675	1,260	5,284	13,959	44,363
2023	519,223	122,675	1,260	5,284	-	36,969
2024-2028	1,063,380	613,377	6,302	26,419	-	-
2029-2033	-	613,377	6,302	26,419	-	-
2034-2038	-	-	6,302	26,419	-	-
2039-2043	-	-	6,302	26,419	-	-
2044-2048	-	-	632	10,566	-	-
Total	\$ 3,586,495	\$ 1,840,129	\$ 32,140	\$ 142,662	\$ 97,716	\$ 214,421

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Transfers

During 2018, the following transfers were made:

Fund	Transfers In	Transfers Out
General	\$ -	\$ (79,000)
Employee Benefit	2,000	-
Fire Pension	47,000	-
Police Pension	30,000	-
Total	\$ 79,000	\$ (79,000)

2018 transfers were made from the General Fund to the Employee Benefit, Fire Pension, and Police Pension Funds. These transfers were deemed allowable and in compliance with the Ohio Revised Code.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 76,341	\$ 228,629	\$ -	\$ 304,970
Municipal Income Tax	652,916	160,793	160,793	974,502
Intergovernmental	137,971	181,279	-	319,250
Charges for Services	-	194,951	-	194,951
Fines, Licenses and Permits	95,741	-	-	95,741
Miscellaneous	2,304	1,050	-	3,354
	<u>965,273</u>	<u>766,702</u>	<u>160,793</u>	<u>1,892,768</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	513,526	250,607	-	764,133
Public Health Services	11,534	11,461	-	22,995
Leisure Time Activities	-	95,543	-	95,543
Community Environment	-	14,722	-	14,722
Basic Utility Services	3,968	320,615	-	324,583
Transportation	12,537	106,837	-	119,374
General Government	303,087	4,412	5,117	312,616
Capital Outlay	2,317	149,174	80,140	231,631
Debt Service:				
Principal Retirement	-	12,244	57,081	69,325
Interest and Fiscal Charges	-	1,697	180	1,877
	<u>846,969</u>	<u>967,312</u>	<u>142,518</u>	<u>1,956,799</u>
Excess of Receipts Over (Under) Disbursements	<u>118,304</u>	<u>(200,610)</u>	<u>18,275</u>	<u>(64,031)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds	-	130,023	-	130,023
Sale of Fixed Assets	6,584	-	-	6,584
Transfers In	-	41,000	-	41,000
Transfers Out	(41,000)	-	-	(41,000)
Other Financing Sources	40,981	35,074	32,078	108,133
	<u>6,565</u>	<u>206,097</u>	<u>32,078</u>	<u>244,740</u>
<i>Net Change in Fund Cash Balances</i>	124,869	5,487	50,353	180,709
<i>Fund Cash Balances, January 1 (Restated - See Note 13)</i>	<u>650,287</u>	<u>456,099</u>	<u>605,902</u>	<u>1,712,288</u>
Fund Cash Balances, December 31				
Nonspendable	4,669	-	-	4,669
Restricted	-	461,586	656,255	1,117,841
Assigned	695,728	-	-	695,728
Unassigned	74,759	-	-	74,759
	<u>775,156</u>	<u>461,586</u>	<u>656,255</u>	<u>1,892,997</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 775,156</u>	<u>\$ 461,586</u>	<u>\$ 656,255</u>	<u>\$ 1,892,997</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 (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$ 2,019,504	\$ -	\$ 2,019,504
		-	
Total Operating Cash Receipts	<u>2,019,504</u>	<u>-</u>	<u>2,019,504</u>
Operating Cash Disbursements:			
Personal Services	528,742	-	528,742
Contractual Services	261,917	-	261,917
Supplies and Materials	190,407	-	190,407
		-	
Total Operating Cash Disbursements	<u>981,066</u>	<u>-</u>	<u>981,066</u>
Operating Income	<u>1,038,438</u>	<u>-</u>	<u>1,038,438</u>
Non-Operating Receipts (Disbursements):			
Capital Outlay	(138,550)	-	(138,550)
Principal Retirement	(400,892)	-	(400,892)
Interest and Other Fiscal Charges	(168,683)	-	(168,683)
Other Financing Sources	31,307	-	31,307
Other Financing Uses	(1,742)	-	(1,742)
		-	
Total Non-Operating Receipts (Disbursements)	<u>(678,560)</u>	<u>-</u>	<u>(678,560)</u>
<i>Net Change in Fund Cash Balances</i>	359,878	-	359,878
<i>Fund Cash Balances, January 1</i>	<u>1,380,344</u>	<u>7,673</u>	<u>1,388,017</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,740,222</u>	<u>\$ 7,673</u>	<u>\$ 1,747,895</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
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting 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.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 7 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

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

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:

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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.

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.

Basis of Accounting

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 Board 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.

Budgetary Process

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

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.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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.

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.

A summary of 2017 budgetary activity appears in Note 4.

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 invests all available funds in checking and savings accounts.

Capital Assets

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

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.

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:

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

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.

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Garbage, Recreation, EMS, Employee Benefits, Cops FAST, Fire Equipment, and Police Equipment funds for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 827,126	\$ 1,012,828	\$ 185,702
Special Revenue	719,930	972,799	252,869
Capital Projects	136,950	192,871	55,921
Enterprise	2,224,400	2,050,811	(173,589)
Total	\$ 3,908,406	\$ 4,229,309	\$ 320,903

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,409,935	\$ 887,969	\$ 521,966
Special Revenue	1,142,812	967,312	175,500
Capital Projects	204,812	142,518	62,294
Enterprise	1,914,878	1,690,933	223,945
Total	\$ 4,672,437	\$ 3,688,732	\$ 983,705

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Deposits

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand deposits	<u>\$ 3,640,892</u>
Total deposits	<u><u>\$ 3,640,892</u></u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Taxes

Property Taxes

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.

Income Taxes

The Village levies a municipal income tax of 2 percent on substantially all earned income arising from, 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.

Note 7 – 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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$16,000.

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

<u>2017 Contributions to PEP</u> <u>\$24,688</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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

Ohio Police and Fire Retirement System

Village's Certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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. The Village has paid all contributions required through December 31, 2017.

Social Security

Some of the village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA #3083	\$ 3,416,142	5.77%
OWDA #6577	1,809,663	1.00%
OPWC CT76M	33,401	0.00%
OPWC CT54N	147,946	0.00%
2017 First National Bank Loan	117,779	2.75%
Total	\$ 5,524,931	

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 made a principal adjustment to loan #6577 in March 2017, reducing the outstanding balance by \$6,347. These loans are being repaid from the Water and Sewer Funds.

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. This loan is being repaid from the Street Improvement Fund.

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. This loan is being repaid from the Sewer Fund.

The 2017 First National Bank loan is for a Village Garbage Truck. The Village will repay the loan amount at a monthly payment of \$2,327 for five years. This loan is being repaid from the Garbage Fund.

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

Year ending December 31:	OWDA #3083	OWDA #6577	OPWC CT76M	OPWC CT54M	2017 First National Bank
2018	\$ 484,659	\$ 122,675	\$ 1,260	\$ 5,284	\$ 27,919
2019	490,819	122,675	1,260	5,284	27,919
2020	497,334	122,675	1,260	5,284	27,919
2021	504,225	122,675	1,260	5,284	27,919
2022	511,514	122,675	1,260	5,284	13,959
2023-2027	1,582,603	613,377	6,302	26,419	-
2028-2032	-	613,377	6,302	26,419	-
2033-2037	-	122,675	6,302	26,419	-
2038-2042	-	-	6,302	26,419	-
2043-2047	-	-	1,893	15,850	-
Total	\$ 4,071,154	\$ 1,962,804	\$ 33,401	\$ 147,946	\$ 125,635

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Transfers

During 2017, the following transfers were made:

Fund	Transfers In	Transfers Out
General	\$ -	\$ (41,000)
Employee Benefit	1,000	-
Fire Pension	30,000	-
Police Pension	10,000	-
Total	\$ 41,000	\$ (41,000)

2017 transfers were made from the General Fund to the Employee Benefit, Fire Pension, and Police Pension Funds. These transfers were deemed allowable and in compliance with the Ohio Revised Code.

Note 13 – Prior Period 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 prior audit adjustment was made to the financial statements during the current audit period. We are adjusting fund balances as follows:

	<u>General Fund</u>	<u>Cemetery Fund</u>
Balance, December 31, 2016	\$ 657,867	\$ 28,527
Prior Period Adjustment	(7,580)	7,580
Balance, December 31, 2016 - restated	\$ 650,287	\$ 36,107

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Certified Public Accountants, A.C.

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

June 30, 2019

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 County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 30, 2019, 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 over Agency Funds due to the lack of supporting documentation for 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider to be material weaknesses. We consider findings 2018-001 through 2018-005 to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 30, 2019.

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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

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 Auditor/Deputy Auditor is responsible for reconciling the Village's book (fund) balance to the total bank balance on a monthly basis.

An examination of the Village's cash reconciliation identified the following concerns:

- The Payroll clearing account had an unreconciled balance of \$26,986.98 in 2018 and \$45,156.75 in 2017.
- The Water Department clearing account had an unreconciled balance of \$206,669.17 in 2018 and \$149,133.80 in 2017.
- The EMS clearing account had an unreconciled balance of \$14,735.34 in 2018 and \$7,370.51 in 2017.
- The Senior Center account had an unreconciled balance of \$222.46 in 2018 and \$300.93 in 2017. Also, the Senior Center account paid dormant account fees in 2018 and 2017.

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 Auditor 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.

Management's Response – We did not receive a response from management to the finding above.

FINDING NUMBER 2018-002

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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-002 (Continued)

Noncompliance/Material Weakness (Continued)

Mayor's Court Collection (Continued)

The Village ceased operations with Mayor's Court activities in 2015, however the Mayor's Court Agency Fund still has a balance of \$7,673 as of December 31, 2018 and 2017. Also, the Village did not record dormant account fees and interest earned during 2018 and 2017.

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 Auditor 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.

Management's Response – We did not receive a response from management to the finding above.

FINDING NUMBER 2018-003

Material Weakness

Financial Reporting

Accurate financial reporting is the responsibility of the Deputy Auditor and is essential to ensure information provided to the readers of the financial statements is accurate. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*.

During 2018 and 2017, receipts, disbursements, and fund balances were not always posted or classified correctly and footnote disclosures were not always up to date. The following errors were noted:

- Proceeds from Debt were improperly recorded as Other Financing Sources instead of Debt Proceeds in 2017 and 2018;
- Proceeds from Debt were improperly recorded as Other Financing Uses instead of Debt Proceeds in 2018;
- The Village did not record the full amount of Debt Proceeds in 2017 and 2018;
- The Village improperly overstated Principal Retirement in the Sewer Improvement Fund in 2018;
- The Village improperly recorded the portion of the General Fund Balance related to budget carryover as Unassigned rather than Assigned in 2017 and 2018;
- Debt note disclosures were updated in the notes to the financial statements to accurately reflect debt balances in 2017 and 2018;

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-003 (Continued)

Material Weakness (Continued)

Financial Reporting (Continued)

- Budgetary Activity note disclosures were updated in the notes to the financial statements to accurately reflect budgeted and actual activity in 2017 and 2018;
- The Deposits note disclosure was updated in the notes to the financial statement to accurately reflect cash balances in 2017 and 2018.

Not posting receipts and classifying fund balances accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Deputy Auditor refer to the Ohio Village Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt accounts and posting of receipts. The Deputy Clerk should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – We did not receive a response from management to the finding above.

FINDING NUMBER 2018-004

Material Weakness

Utility Revenue Cycle

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During testing of the Village's utilities, we noted the following:

- Council did not have a formal policy regarding utility bill adjustments;
- Council did not approve adjustments to customer accounts;
- The Village did not maintain supporting documentation related to utility bill adjustments.
- The Customer Delinquent Account report is not properly maintained. 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.

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-004 (Continued)

Material Weakness (Continued)

Utility Revenue Cycle (Continued)

Failure to follow Village policy and accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village Officials and management implement the following:

- Establish a formal policy and related procedures to address identification, authorization, recording and documentation of adjustments to utility customer accounts;
- The Village Council should review and approve all adjustments to be made to utility client accounts;
- Adequately document and approve all adjustments to customer accounts;
- Ensure adjustment calculations are accurate.
- 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.

Management's Response – We did not receive a response from management to the finding above.

FINDING NUMBER 2018-005

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit, we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Village making financial decisions based on incorrect or incomplete information. We noted the following:

- Violation of 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 Certificate of Estimated Resources;
- Violations of 5705.41(D) relating to expenditures having prior certification of availability of funds.

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-005 (Continued)

Noncompliance (Continued)

Budgetary Controls (Continued)

Violations of 5705.39 resulted from appropriations exceeding estimated resources in the Garbage, Recreation, EMS, Employee Benefits, Cops FAST, Fire Equipment, and Police Equipment Funds in 2017 and the General, Recreation, and EMS Funds in 2018. In addition, we determined 14 of 19 expenditures tested for 2017 (74%) and 17 out of 20 (85%) expenditures tested for 2018 were not properly encumbered.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If the Council does not consider this necessary, steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Deputy Auditor prior to purchasing and unencumbered balances are tracked for each line item.

Management's Response – We did not receive a response from management to the finding above.

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**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Reconciliation Process	Not Corrected	Repeated as Finding 2018-001
2016-002	Mayor's Court Collection	Not Corrected	Repeated as Finding 2018-002
2016-003	Compensation Adjustment	Corrected	N/A
2016-004	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2018-003
2016-005	Utility Revenue Cycle	Not Corrected	Repeated as Finding 2018-004
2016-006	ORC Section 5705.39	Not Corrected	Repeated as Finding 2018-005

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OHIO AUDITOR OF STATE KEITH FABER



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 7, 2019**