



Mary Taylor, CPA  
Auditor of State



VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

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**Mary Taylor, CPA**  
Auditor of State

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

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 21, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Mingo Junction, Jefferson County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 21, 2007

VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$160,467	\$419,814		\$43,764	\$624,045
Municipal Income Tax	1,478,282	439,820	\$525,340		2,443,442
Intergovernmental	325,054	528,839		2,547	856,440
Special Assessments	1,400				1,400
Charges for Services		155,055			155,055
Fines, Licenses and Permits	68,178				68,178
Earnings on Investments	65,350	15,252	6,827	26,482	113,911
Miscellaneous	4,596	26,183			30,779
<b>Total Cash Receipts</b>	<b>2,103,327</b>	<b>1,584,963</b>	<b>532,167</b>	<b>72,793</b>	<b>4,293,250</b>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	940,080	175,331	78,775	137,901	1,332,087
Public Health Services	16,716	7,740			24,456
Leisure Time Activities	16,445	279,944	115,517		411,906
Basic Utility Service		484,015			484,015
Transportation	269,290	196,416	513,884		979,590
General Government	410,391	106,629	81,012	19,450	617,482
Capital Outlay	23,058	409,374			432,432
<b>Total Cash Disbursements</b>	<b>1,675,980</b>	<b>1,659,449</b>	<b>789,188</b>	<b>157,351</b>	<b>4,281,968</b>
Total Receipts Over/(Under) Disbursements	427,347	(74,486)	(257,021)	(84,558)	11,282
<b>Other Financing Receipts / (Disbursements):</b>					
Sale of Fixed Assets	2,698				2,698
Transfers-In		47,000		70,000	117,000
Transfers-Out	(117,000)				(117,000)
Other Financing Sources	112,119	98,110	17,362		227,591
Other Financing Uses	(90)	(701)			(791)
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(2,273)</b>	<b>144,409</b>	<b>17,362</b>	<b>70,000</b>	<b>229,498</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	425,074	69,923	(239,659)	(14,558)	240,780
Fund Cash Balances, January 1	827,672	518,376	1,369,405	146,996	2,862,449
<b>Fund Cash Balances, December 31</b>	<b>\$1,252,746</b>	<b>\$588,299</b>	<b>\$1,129,746</b>	<b>\$132,438</b>	<b>\$3,103,229</b>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,138,819		\$2,138,819
Total Operating Cash Receipts	2,138,819		2,138,819
<b>Operating Cash Disbursements:</b>			
Personal Services	875,511		875,511
Contractual Services	398,842		398,842
Supplies and Materials	537,936		537,936
Total Operating Cash Disbursements	1,812,289		1,812,289
Operating Income/(Loss)	326,530		326,530
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes		\$2,449,472	2,449,472
Earnings on Investments	98,446		98,446
Miscellaneous Receipts	12,300		12,300
Other Non-Operating Cash Receipts		38,903	38,903
Total Non-Operating Cash Receipts	110,746	2,488,375	2,599,121
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	74,335		74,335
Redemption of Principal	253,742		253,742
Interest and Other Fiscal Charges	334,879		334,879
Other Non-Operating Cash Disbursements	10,149	2,488,375	2,498,524
Total Non-Operating Cash Disbursements	673,105	\$2,488,375	3,161,480
Net Receipts Over/(Under) Disbursements	(235,829)		(235,829)
Fund Cash Balances, January 1	2,456,781		2,456,781
<b>Fund Cash Balances, December 31</b>	<b><u>\$2,220,952</u></b>		<b><u>\$2,220,952</u></b>

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

VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Local Taxes	\$152,852	\$372,875		\$41,687	\$567,414
Municipal Income Tax	1,462,397	435,093	\$519,695		2,417,185
Intergovernmental	314,745	400,329	104,504	2,947	822,525
Special Assessments	1,430				1,430
Charges for Services		143,758			143,758
Fines, Licenses and Permits	68,485				68,485
Earnings on Investments	36,302	8,952	4,060	14,426	63,740
Miscellaneous	5,693	62,588			68,281
	<u>2,041,904</u>	<u>1,423,595</u>	<u>628,259</u>	<u>59,060</u>	<u>4,152,818</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	681,355	172,828	57,323	132,456	1,043,962
Public Health Services	16,941	6,828			23,769
Leisure Time Activities	18,826	344,969	14,914		378,709
Community Environment		51,745			51,745
Basic Utility Service		454,336			454,336
Transportation	159,291	165,170	231,707		556,168
General Government	598,880	165,052	22,058	8,203	794,193
Capital Outlay	8,911	180,665	104,504		294,080
	<u>1,484,204</u>	<u>1,541,593</u>	<u>430,506</u>	<u>140,659</u>	<u>3,596,962</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/(Under) Disbursements	<u>557,700</u>	<u>(117,998)</u>	<u>197,753</u>	<u>(81,599)</u>	<u>555,856</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	50,732	129,816	29,704	100,000	310,252
Transfers-Out	(229,816)	(80,436)			(310,252)
Other Financing Sources	69,736	143,287	158,974		371,997
Other Financing Uses	(80)	(330)			(410)
	<u>(109,428)</u>	<u>192,337</u>	<u>188,678</u>	<u>100,000</u>	<u>371,587</u>
<b>Total Other Financing Receipts / (Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	448,272	74,339	386,431	18,401	927,443
Fund Cash Balances, January 1	379,400	444,037	982,974	128,595	1,935,006
<b>Fund Cash Balances, December 31</b>	<u><b>\$827,672</b></u>	<u><b>\$518,376</b></u>	<u><b>\$1,369,405</b></u>	<u><b>\$146,996</b></u>	<u><b>\$2,862,449</b></u>

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,310,068		\$2,310,068
Total Operating Cash Receipts	2,310,068		2,310,068
<b>Operating Cash Disbursements:</b>			
Personal Services	838,236		838,236
Contractual Services	315,060		315,060
Supplies and Materials	381,518		381,518
Total Operating Cash Disbursements	1,534,814		1,534,814
Operating Income/(Loss)	775,254		775,254
<b>Non-Operating Cash Receipts:</b>			
Property and Other Local Taxes		\$2,421,066	2,421,066
Earnings on Investments	55,794		55,794
Miscellaneous Receipts	15,450		15,450
Other Non-Operating Cash Receipts		44,645	44,645
Total Non-Operating Cash Receipts	71,244	2,465,711	2,536,955
<b>Non-Operating Cash Disbursements:</b>			
Capital Outlay	344,921		344,921
Redemption of Principal	353,307		353,307
Interest and Other Fiscal Charges	531,252		531,252
Other Non-Operating Cash Disbursements	12,239	2,465,711	2,477,950
Total Non-Operating Cash Disbursements	1,241,719	\$2,465,711	3,707,430
Net Receipts Over/(Under) Disbursements	(395,221)		(395,221)
Fund Cash Balances, January 1	2,852,002		2,852,002
<b>Fund Cash Balances, December 31</b>	<b>\$2,456,781</b>		<b>\$2,456,781</b>

*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, 2006 AND 2005**

**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, police services, and fire services.

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

**B. Accounting Basis**

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

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

**C. Cash and Investments**

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

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Community Development Block Grant Fund - This fund receives grant monies to aide in development.

**3. Capital Project Funds**

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

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

Street Improvement Fund – This fund is used to pay for street paving improvements, curb improvements, and engineering fees for such projects.

**4. Permanent Funds**

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

Police Disability and Pension Fund – This fund receives income tax money that is used to pay disability and pension benefits for the police department employees.

Fire Disability and Pension Fund – This fund receives income tax money that is used to pay disability and pension benefits for the fire department employees.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for income taxes collected by the Village to be distributed to other funds.

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$4,298,645	\$4,340,957
Certificates of deposit	1,025,536	978,273
Total deposits	<u>\$5,324,181</u>	<u>\$5,319,230</u>

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,752,994	\$2,218,144	\$465,150
Special Revenue	1,195,211	1,730,073	534,862
Capital Projects	444,750	549,528	104,778
Enterprise	2,347,000	2,249,565	(97,435)
Permanent	129,612	142,793	13,181
Total	<u>\$5,869,567</u>	<u>\$6,890,103</u>	<u>\$1,020,536</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,972,151	\$1,793,070	\$179,081
Special Revenue	1,727,601	1,660,150	67,451
Capital Projects	959,595	788,188	171,407
Enterprise	2,885,874	2,485,394	400,480
Permanent	160,286	157,351	2,935
Total	<u>\$7,705,507</u>	<u>\$6,884,153</u>	<u>\$821,354</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,524,304	\$2,162,372	\$638,068
Special Revenue	1,462,303	1,696,698	234,395
Capital Projects	378,050	816,937	438,887
Enterprise	2,387,750	2,381,312	(6,438)
Permanent	148,806	159,060	10,254
Total	<u>\$5,901,213</u>	<u>\$7,216,379</u>	<u>\$1,315,166</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,877,624	\$1,714,100	\$163,524
Special Revenue	1,997,025	1,622,359	374,666
Capital Projects	476,248	430,506	45,742
Enterprise	3,250,901	2,776,533	474,368
Permanent	152,005	140,659	11,346
Total	<u>\$7,753,803</u>	<u>\$6,684,157</u>	<u>\$1,069,646</u>

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. PROPERTY TAX**

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

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

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

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$5,550,061	5.77%

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

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

Year ending December 31:	OWDA Loan
2007	\$294,311
2008	588,622
2009	588,622
2010	588,622
2011	588,622
2012-2016	2,943,110
2017-2021	3,237,421
Total	\$8,829,330

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, the Village contributed to OP&F an amount equal to 19.5% of wages. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated December 21, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002 and 2006-003.

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

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

We noted certain matters that we reported to the Village's management in a separate letter dated December 21, 2007.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated December 21, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

December 21, 2007

VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Noncompliance Citation**

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

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

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extent beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 88% of tested expenditures in 2005 and 85% of tested expenditures in 2006. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

#### **FINDING NUMBER 2006-002**

##### **Significant Deficiency**

Ohio Administrative Code Section 117-2-02 (A) states that all public offices should maintain an accounting system and accounting records sufficient to allow the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability, document compliance with related legal requirements and prepare financial statements as required by rule 117-2-03 of the Ohio Administrative Code.

Section (B) continues to state that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure that the following five assertions are achieved for all transaction types and local account balances: existence/occurrence; completeness; rights and obligations; valuation/allocation; presentation and disclosure. The Senior Center financial transactions were not accounted for or reported by the Village Clerk, therefore, the financial statements prepared in accordance with rule 117-2-03 of the Ohio Administrative Code did not completely account for all financial transactions of the Village.

Failure to include the financial activity of the Senior Center in the Villages' accounting system, on the monthly bank to book reconciliation and on the Village's financial statements does not provide complete disclosure of the Village's financial activity. As the Mingo Senior Center is operated by the Village, all bank accounts in the Mingo Senior Center's name should be closed, with the monies deposited into the Village's general checking account and the amounts should be posted to the Senior Center Fund. All financial activity of the Center should be accounted for in the Senior Center Fund and reported on the Village's financial statements.

The Mingo Junction Senior Center administrators should maintain a cash journal, subsidiary ledgers, as necessary, and issue receipts to account for all cash received at the Senior Center. An expenditure of the Senior Center Fund should be processed in a similar manner to an expenditure of any other Village fund, including the preparation of a purchase order and voucher and the maintenance of supporting documentation for each expenditure.

Adjustments for the financial activity of the Senior Center totaling \$122,197 in 2006 and \$177,300 in 2005 have been made and are reflected in the accompanying financial statements.

**FINDING NUMBER 2006-003**

**Significant Deficiency**

**Proper Classification of Receipts and Disbursements**

Ohio Administrative Code Section 117-2-02(A) states that all public offices maintain an accounting system and accounting records sufficient to enable the public office 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 required by the Ohio Administrative Code section 117-2-03. The Village did not correctly code and classify intergovernmental revenue, capital outlay expenditures and magistrate court activity resulting in reclassifications of \$104,504 and \$44,645 in 2005 and \$38,903 in 2006. The Village Clerk has agreed to and posted the reclassifications and adjustments to the ledgers and these corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk should maintain an 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 adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

**Officials' Response**

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

**VILLAGE OF MINGO JUNCTION  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Revised Code Section 5705.41D – Proper Certification of Expenditures	No	Reissued – as Finding 2006-001.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MINGO JUNCTION**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 11, 2008**