



**Auditor of State
Betty Montgomery**

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 16, 2005

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Auditor of State Betty Montgomery

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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 September 16, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Betty Montgomery
Auditor of State

September 16, 2005

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE:
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,259,720	\$675,474	\$397,868	\$38,906	\$2,371,968
Intergovernmental Receipts	451,960	225,474	31,750	2,969	712,153
Charges for Services		143,449			143,449
Fines, Licenses, and Permits	54,800				54,800
Earnings on Investments	1,371	343	1,703	2,595	6,012
Miscellaneous	5,663				5,663
Total Cash Receipts	1,773,514	1,044,740	431,321	44,470	3,294,045
Cash Disbursements:					
Current:					
Security of Persons and Property	911,090	165,274	70,983	137,840	1,285,187
Public Health Services	21,233	2,053			23,286
Leisure Time Activities	176,195	202,123	63,531		441,849
Basic Utility Services		396,704			396,704
Transportation	323,032	167,584	158,787		649,403
General Government	448,674	123,048	30,831	6,791	609,344
Capital Outlay	24,303	90,135			114,438
Total Cash Disbursements	1,904,527	1,146,921	324,132	144,631	3,520,211
Total Receipts Over/(Under) Disbursements	(131,013)	(102,181)	107,189	(100,161)	(226,166)
Other Financing Receipts and (Disbursements):					
Sale of Assets	30,000				30,000
Other Sources	8,688	40,456	1,750		50,894
Other Uses		(22)	(100)		(122)
Transfers-In		74,331		100,000	174,331
Transfers-Out	(174,331)				(174,331)
Total Other Financing Receipts/(Disbursements)	(135,643)	114,765	1,650	100,000	80,772
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(266,656)	12,584	108,839	(161)	(145,394)
Fund Cash Balances, January 1	646,056	420,811	874,135	128,756	2,069,758
Fund Cash Balances, December 31	\$379,400	\$433,395	\$982,974	\$128,595	\$1,924,364

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$2,751,394		\$2,751,394
Total Operating Cash Receipts	<u>2,751,394</u>		<u>2,751,394</u>
Operating Cash Disbursements:			
Personal Services	786,823		786,823
Contractual Services	362,275		362,275
Supplies and Materials	249,644		249,644
Capital Outlay	84,932		84,932
Total Operating Cash Disbursements	<u>1,483,674</u>		<u>1,483,674</u>
Operating Income/(Loss)	<u>1,267,720</u>		<u>1,267,720</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		\$1,848,239	1,848,239
Other Non-Operating Receipts	116,577	33,064	149,641
Total Non-Operating Cash Receipts	<u>116,577</u>	<u>1,881,303</u>	<u>1,997,880</u>
Non-Operating Cash Disbursements:			
Debt Service	294,311		294,311
Other Non-Operating Cash Disbursements	20,214	1,881,303	1,901,517
Total Non-Operating Cash Disbursements	<u>314,525</u>	<u>\$1,881,303</u>	<u>2,195,828</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	1,069,772		1,069,772
Fund Cash Balances, January 1	<u>1,782,230</u>		<u>1,782,230</u>
Fund Cash Balances, December 31	<u>\$2,852,002</u>		<u>\$2,852,002</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 GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE:
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,279,739	\$732,774	\$397,830	\$43,499	\$2,453,842
Intergovernmental Receipts	314,173	174,828		3,170	492,171
Charges for Services		125,238			125,238
Fines, Licenses, and Permits	48,300	392			48,692
Earnings on Investments	1,767	441	2,451	3,268	7,927
Miscellaneous	7,334				7,334
Total Cash Receipts	1,651,313	1,033,673	400,281	49,937	3,135,204
Cash Disbursements:					
Current:					
Security of Persons and Property	849,858	168,946	47,472	132,817	1,199,093
Public Health Services	20,071	4,301			24,372
Leisure Time Activities	19,595	183,866			203,461
Basic Utility Services		388,299			388,299
Transportation	326,318	184,888	289,133		800,339
General Government	424,918	93,004	18,416	74,291	610,629
Capital Outlay	3,859	37,260			41,119
Total Cash Disbursements	1,644,619	1,060,564	355,021	207,108	3,267,312
Total Receipts Over/(Under) Disbursements	6,694	(26,891)	45,260	(157,171)	(132,108)
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	250				250
Other Sources	36,710	1,010			37,720
Other Uses		(106)			(106)
Transfers-In		65,347		100,000	165,347
Transfers-Out	(165,347)				(165,347)
Total Other Financing Receipts/(Disbursements)	(128,387)	66,251		100,000	37,864
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(121,693)	39,360	45,260	(57,171)	(94,244)
Fund Cash Balances, January 1	767,749	381,451	828,875	185,927	2,164,002
Fund Cash Balances, December 31	\$646,056	\$420,811	\$874,135	\$128,756	\$2,069,758

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$1,996,147		\$1,996,147
Total Operating Cash Receipts	<u>1,996,147</u>		<u>1,996,147</u>
Operating Cash Disbursements:			
Personal Services	775,965		775,965
Contractual Services	249,517		249,517
Supplies and Materials	353,488		353,488
Capital Outlay	58,154		58,154
Total Operating Cash Disbursements	<u>1,437,124</u>		<u>1,437,124</u>
Operating Income/(Loss)	<u>559,023</u>		<u>559,023</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes		\$1,854,198	1,854,198
Other Non-Operating Receipts	30,615	24,555	55,170
Total Non-Operating Cash Receipts	<u>30,615</u>	<u>1,878,753</u>	<u>1,909,368</u>
Non-Operating Cash Disbursements:			
Debt Service	588,622		588,622
Other Non-Operating Cash Disbursements	12,035	1,878,753	1,890,788
Total Non-Operating Cash Disbursements	<u>600,657</u>	<u>\$1,878,753</u>	<u>2,479,410</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(11,019)		(11,019)
Fund Cash Balances, January 1	<u>1,793,249</u>		<u>1,793,249</u>
Fund Cash Balances, December 31	<u>\$1,782,230</u>		<u>\$1,782,230</u>

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 governs the Village. The Village provides water and sewer utilities, park operations, and police services and fire services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports 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 Fund

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

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, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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.

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

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Local Income Tax Fund – This fund is an agency fund used to account for the receipt of income tax revenue and the subsequent disbursement to the appropriate funds.

Mayors Court Fund – This fund is used as a clearing account for Mayors Court activity.

E. Budgetary Process

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 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 2004 and 2003 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>2004</u>	<u>2003</u>
Demand deposits	\$3,826,551	\$2,913,670
Certificates of deposit	949,815	938,318
Total deposits	<u>4,776,366</u>	<u>3,851,988</u>

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

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,490,886	\$1,812,202	\$321,316
Special Revenue	964,242	1,159,527	195,285
Capital Projects	389,200	433,071	43,871
Enterprise	1,875,200	2,867,971	992,771
Fiduciary	229,300	144,470	(84,830)
Total	\$4,948,828	\$6,417,241	\$1,468,413

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,148,791	\$2,078,861	\$69,930
Special Revenue	1,631,802	1,146,943	484,859
Capital Projects	482,620	324,232	158,388
Enterprise	2,811,147	1,789,199	1,021,948
Fiduciary	215,020	144,631	70,389
Total	\$7,289,380	\$5,483,866	\$1,805,514

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,532,690	\$1,688,273	\$155,583
Special Revenue	973,246	1,100,030	126,784
Capital Projects	391,000	400,281	9,281
Enterprise	1,883,500	2,026,762	143,262
Fiduciary	132,100	149,937	17,837
Total	\$4,912,536	\$5,365,283	\$452,747

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,023,383	\$1,809,966	\$213,417
Special Revenue	1,532,814	1,060,670	472,144
Capital Projects	559,000	355,021	203,979
Enterprise	2,049,287	2,037,781	11,506
Fiduciary	212,850	207,108	5,742
Total	\$6,377,334	\$5,470,546	\$906,788

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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, 2004 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$6,157,110	5.77%
Mortgage Revenue Sewer Bonds	5,000	4.00%
Total	\$6,162,110	

**VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT - (Continued)

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 loans will be repaid in semi annual installments of \$294,310 over a period of 25 years. The loan is collateralized with water receipts.

The Mortgage Revenue Sewer Bonds are outstanding bonds of a sewer project.

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2005	\$588,622	\$5,000
2006	588,622	
2007	588,622	
2008	588,622	
2009	588,622	
2010 - 2021	6,769,153	
Total	\$9,712,263	\$5,000

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant and 24 percent of fire participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the financial statements of the Village of Mingo Junction, Jefferson County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 16, 2005, 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated September 16, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 2004-001. In a separate letter to the Village's management dated September 16, 2005, we reported other matters related to noncompliance we deemed immaterial.

Village of Mingo Junction
Jefferson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

September 16, 2005

VILLAGE OF MINGO JUNCTION
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

Finding Number 2004-001

Non Compliance Citation

Ohio Revised Code 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 encumbrance. 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 the 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)(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 Council 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 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through "Then and Now" certificate, if such expenditure is otherwise lawful.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 certify or record the amount against applicable appropriation accounts for 71% of tested expenditures. The Village did not utilize the certificate exceptions, described above for those expenditures lacking prior or simultaneous 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 Clerk/Treasurer 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.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 27, 2005**