

***VILLAGE OF CORNING
PERRY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2013 & 2012





Dave Yost • Auditor of State

Village Council
Village of Corning
PO Box 477
Corning, Ohio 43730

We have reviewed the *Independent Auditor's Report* of the Village of Corning, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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 Corning is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 30, 2014

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**VILLAGE OF CORNING
PERRY COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2013 and 2012**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Corning
Perry County
PO Box 477
Corning, Ohio 43730

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position or cash flows for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Corning, Perry County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2014, 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.



Charles E. Harris & Associates, Inc.

August 7, 2014

**VILLAGE OF CORNING
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2013**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 38,023	\$ 778	\$ 38,801
Intergovernmental	19,089	17,276	36,365
Charges for Services	-	165,403	165,403
Fines, Licenses and Permits	170	-	170
Interest	803	268	1,071
Other	1,721	1,523	3,244
Total Receipts	59,806	185,248	245,054
Disbursements:			
Security of Persons & Property	17,043	132,415	149,458
Public Health Service	-	6,811	6,811
Leisure Time Activities	760	-	760
Transportation	-	18,961	18,961
General Government	30,922	-	30,922
Debt Service:			
Principal	-	10,959	10,959
Interest	-	3,930	3,930
Total Disbursements	48,725	173,076	221,801
Total Receipts Over/(Under) Disbursements	11,081	12,172	23,253
Fund Cash Balance, January 1, 2013	80,760	198,914	279,674
Fund Cash Balance:			
Restricted	-	211,086	211,086
Assigned	3,472	-	3,472
Unassigned	88,369	-	88,369
Fund Cash Balance, December 31, 2013	\$ 91,841	\$ 211,086	\$ 302,927

See Accompanying Notes to the Financial Statements.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
For the Year Ended December 31, 2013

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals- (Memorandum Only)</u>
Operating Receipts:			
Charges for Services	\$ 317,844	\$ -	\$ 317,844
Total Operating Receipts	317,844	-	317,844
Operating Disbursements:			
Personal Services	37,411	-	37,411
Employee Fringe Benefits	7,809	-	7,809
Contractual Services	152,431	-	152,431
Supplies and Materials	14,422	-	14,422
Total Operating Disbursements	212,073	-	212,073
Operating Income	105,771	-	105,771
Non-Operating Receipts/(Disbursements):			
Fines and Forfeitures	-	335	335
Miscellaneous Receipts	5,198	-	5,198
Capital Outlay	(15,000)	-	(15,000)
Debt Service:			
Principal Retirement	(55,044)	-	(55,044)
Interest and Fiscal Charges	(55,800)	-	(55,800)
Total Nonoperating Receipts/(Disbursements)	(120,646)	335	(120,311)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	(14,875)	335	(14,540)
Fund Cash Balance, January 1, 2013	496,940	699	497,639
Fund Cash Balance, December 31, 2013	\$ 482,065	\$ 1,034	\$ 483,099

See Accompanying Notes to the Financial Statements.

**VILLAGE OF CORNING
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Receipts:			
Property Taxes	\$ 32,671	\$ 11,685	\$ 44,356
Intergovernmental	14,337	17,880	32,217
Charges for Service	-	129,551	129,551
Fines, Licenses and Permits	336	-	336
Interest	940	101	1,041
Other	576	1,390	1,966
Total Receipts	<u>48,860</u>	<u>160,607</u>	<u>209,467</u>
Disbursements:			
Security of Persons & Property	18,768	150,226	168,994
Public Health Service	-	6,937	6,937
Leisure Time Activities	1,030	-	1,030
Transportation	-	19,925	19,925
General Government	37,526	-	37,526
Debt Service:			
Principal	-	5,752	5,752
Interest	-	5,268	5,268
Total Disbursements	<u>57,324</u>	<u>188,108</u>	<u>245,432</u>
Total Receipts Over/(Under) Disbursements	<u>(8,464)</u>	<u>(27,501)</u>	<u>(35,965)</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(6,000)	-	(6,000)
Sale of Assets	-	5,490	5,490
Total Other Financing Receipts (Disbursements)	<u>(6,000)</u>	<u>5,490</u>	<u>(510)</u>
Net Change in Fund Cash Balances	<u>(14,464)</u>	<u>(22,011)</u>	<u>(36,475)</u>
Fund Cash Balance, January 1, 2012	<u>95,224</u>	<u>220,925</u>	<u>316,149</u>
Fund Cash Balance:			
Restricted	-	198,914	198,914
Assigned	8,421	-	8,421
Unassigned	72,339	-	72,339
Fund Cash Balance, December 31, 2012	<u>\$ 80,760</u>	<u>\$ 198,914</u>	<u>\$ 279,674</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPES
For the Year Ended December 31, 2012

	<u>Proprietary Fund Types Enterprise</u>	<u>Fiduciary Fund Types Agency</u>	<u>Totals- (Memorandum Only)</u>
Operating Receipts:			
Charges for Services	\$ 321,384	\$ -	\$ 321,384
Total Operating Receipts	321,384	-	321,384
Operating Disbursements:			
Personal Services	48,242	-	48,242
Employee Fringe Benefits	7,245	-	7,245
Contractual Services	140,543	-	140,543
Supplies and Materials	14,422	-	14,422
Total Operating Disbursements	210,452	-	210,452
Operating Income	110,932	-	110,932
Non-Operating Receipts/(Disbursements):			
Fines and Forfeitures	-	1,015	1,015
Debt Service:			
Principal Retirement	(36,896)	-	(36,896)
Interest and Fiscal Charges	(55,950)	-	(55,950)
Distribution of Fines and Forfeitures	-	(384)	(384)
Total Nonoperating Receipts/(Disbursements)	(92,846)	631	(92,215)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements	18,086	631	18,717
Transfers In	6,000	-	6,000
Net Change in Fund Cash Balance	24,086	631	24,717
Fund Cash Balance, January 1, 2012	472,854	68	472,922
Fund Cash Balance, December 31, 2012	\$ 496,940	\$ 699	\$ 497,639

See Accompanying Notes to the Financial Statements.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Corning, Perry County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, street maintenance, cemetery maintenance, police and fire protection, emergency medical services, and water and sewer services for its citizens.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village has the following significant Special Revenue funds:

- Street Construction Maintenance & Repair Fund- This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- EMS Fund- This fund receives money from three surrounding townships for emergency medical services as well as charges related to emergency medical service runs.
- Fire Levy Fund- This fund receives money from three surrounding townships to provide fire protection services.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Sewer Fund- This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.
- Water Fund- This fund receives loans and grants for the planning construction of a water distribution system as well as user fees for the operation of the system.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Village's fiduciary funds include:

- Mayor's Court- This agency fund accounts for receipts and disbursements of the Mayor's Court.
- Bridgebuilders Fund- This fund acts as fiscal agent for a program aiding against underage alcohol consumption.

E. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually. A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried forward and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources.

1. Nonspendable- The Village classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.
2. Restricted- Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.
3. Committed- The Village Council can commit amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.
4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 the Village Council.
5. Unassigned- Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2013</u>	<u>2012</u>
Demand Deposits	<u>\$786,026</u>	<u>\$777,313</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. 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.

Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

<u>Fund:</u>	<u>2013 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 54,839	\$ 59,806	\$ 4,967
Special Revenue Funds	190,955	185,248	(5,707)
Enterprise Funds	517,150	323,042	(194,108)

<u>Fund:</u>	<u>2013 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 75,003	\$ 52,197	\$ 22,806
Special Revenue Funds	202,985	175,793	27,192
Enterprise Funds	471,602	343,899	127,703

<u>Fund:</u>	<u>2012 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 62,277	\$ 48,860	\$ (13,417)
Special Revenue Funds	193,756	166,097	(27,659)
Enterprise Funds	479,980	327,384	(152,596)

<u>Fund:</u>	<u>2012 Budgeted vs Actual Budgetary Basis Disbursements</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	
General Fund	\$ 78,930	\$ 71,745	\$ 7,185
Special Revenue Funds	209,125	192,653	16,472
Enterprise Funds	415,943	333,970	81,973

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2013 and 2012 OPERS, members contributed 10.00% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll. The Village paid all required contributions through 2013.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

RISK POOL MEMBERSHIP

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) formerly known as the Ohio Government Risk Management Plan (“the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan was legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amount did not exceed insurance coverage for the past three years.

**VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

6. RISK MANAGEMENT - (Continued)

RISK POOL MEMBERSHIP – (Continued)

The Pool’s audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and member’s equity at December 31, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members’ Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker’s Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2013 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
OPWC #CR451	\$ 3,201	0.00%
OPWC #CR618	3,103	0.00%
OPWC#CT869	4,045	0.00%
OPWC#CT78C	68,606	0.00%
OPWC#CT601	288,000	0.00%
Equipment Loan	78,827	5.00%
USDA	1,474,000	3.75%
	<u>\$ 1,919,782</u>	

The December 31, 2011 loan balances for OPWC #CT601 and USDA were overstated by \$9,000 and \$89,442, respectively.

The OPWC and USDA loans relate to EPA mandated water and sewer construction projects.

The equipment loan through North Valley Bank was used to purchase a fire truck.

**VILLAGE OF CORNING
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012**

7. DEBT – (Continued)

Principal and interest requirements for loans outstanding at December 31, 2013 is as follows:

<u>Year Ended</u>	OPWC #CR451	OPWC #CR618	OPWC #CT869	OPWC #CT78C	OPWC #CT601
2013	\$3,201	\$3,103	\$1,618	\$7,624	\$18,000
2014	-	-	1,618	7,624	18,000
2015	-	-	809	7,624	18,000
2016	-	-	-	7,624	18,000
2017	-	-	-	7,624	18,000
2018-2022	-	-	-	30,486	90,000
2023-2027	-	-	-	-	90,000
2028-2032	-	-	-	-	18,000
Total	\$3,201	\$3,103	\$4,045	\$68,606	\$288,000

<u>Year Ended</u>	Equipment Loan	USDA
2014	\$16,248	\$74,301
2015	16,248	74,301
2016	16,248	74,301
2017	16,248	74,301
2018	16,248	74,301
2019-2023	8,124	371,505
2024-2028	-	371,505
2029-2033	-	371,505
2034-2038	-	371,505
2039-2043	-	371,505
2044-2048	-	371,505
2046-2050	-	371,505
Total	\$89,364	\$2,972,040

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Village of Corning
Perry County
PO Box 447
Corning, Ohio 43730

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 Village of Corning, Perry County (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 7, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Controls 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.

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

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. We consider findings 2013-CORN-01 through 03 described in the accompanying schedule of findings to be material weaknesses.

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 an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as 2013-CORN-03.

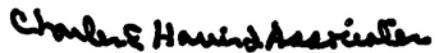
Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 7, 2014.

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.



Charles E. Harris & Associates, Inc.
August 7, 2014

**VILLAGE OF CORNING
PERRY COUNTY
Schedule of Findings
December 31, 2013 and 2012**

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

Finding Number 2013-CORN-01 - Material Weakness

Recording Errors

Although the Village utilizes the UAN system provided by the Auditor of State to record transactions and prepare cash basis financial statements, the Village does not have a process to review the output for errors. Accordingly, the financial statements contained the following misstatements during 2013 and 2012:

- Mayor's Court activity was not reflected in the financial statements.
- Charges for services of \$1,811 and \$27,480 were recorded as property taxes, special assessments or miscellaneous receipts in 2013 and 2012, respectively.
- Debt service expenditures of \$48,578 in 2013 and \$27,896 in 2012 were charged to capital outlay, security of persons, and contractual disbursements.

The financial statements and the Village's records have been adjusted to properly reflect these transactions.

We recommend that the expenditures be recorded in accordance with the classifications found in the *Ohio Village Officers' Handbook* and that the Village implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers.

Management Response:

The Village has appointed a new fiscal officer and he has reviewed the findings with the independent auditor. The Village has already implemented changes to correct the material weaknesses noted in this audit. The new fiscal officer is committed to correcting the deficiencies.

**VILLAGE OF CORNING
PERRY COUNTY
Schedule of Findings-Continued
December 31, 2013 and 2012**

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

Finding Number 2013-CORN-02 - Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. For the period November 2012 through December 31, 2013, the Village did not resolve various differences between the adjusted bank balance and the cash reflected in the Village's accounting records. These differences identified in the bank reconciliations as "Other Adjusting Factors" varied from a few hundred dollars to \$46,000. The book balance was overstated by \$7,334 and \$14,528 at December 31, 2012 and 2013, respectively. The financial statements accompanying this report have been adjusted and the Village has agreed with these adjustments and posted them to their records.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

Management Response:

The Village has appointed a new fiscal officer and he has reviewed the findings with the independent auditor. The Village has already implemented changes to correct the material weaknesses noted in this audit. The new fiscal officer is committed to correcting the deficiencies noted above.

Finding Number 2013-CORN-03 – Noncompliance/Material Weakness

Records Missing

Ohio Rev. Code Section 149.351 (A), requires that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The Village could not locate payroll tax returns for the first and second quarter of 2012, Mayor's Court citations and monthly reports, and public notices.

**VILLAGE OF CORNING
PERRY COUNTY
Schedule of Findings-Continued
December 31, 2013 and 2012**

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

Finding Number 2013-CORN-03 – Noncompliance/Material Weakness - Continued

We recommend the Village implement procedures to preserve records in accordance with the Ohio Revised Code.

Management Response:

The Village has appointed a new fiscal officer and he has reviewed the findings with the independent auditor. The Village has already implemented changes to correct the material weaknesses noted in this audit. The new fiscal officer is committed to correcting the deficiencies noted above.

VILLAGE OF CORNING
PERRY COUNTY, OHIO
For the Years Ended December 31, 2013 and 2012

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	ORC 5705.39; Appropriations exceeded estimated resources	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

VILLAGE OF CORNING

PERRY 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
OCTOBER 14, 2014**