



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF THORNVILLE
PERRY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Thornville
Perry County
3 South Main Street
P.O. Box 607
Thornville, Ohio 43076

To the Village Council:

We have audited the accompanying financial statements of the Village of Thornville, Perry County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Thornville, Perry County, as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$65,444	\$48,338	\$	\$	\$113,782
Intergovernmental Receipts	34,913	61,464			96,377
Charges for Services	3,765	600			4,365
Fines, Licenses, and Permits	2,359	3,144			5,503
Earnings on Investments	25,563	2,633			28,196
Miscellaneous	3,819	5,567		39,854	49,240
Total Cash Receipts	135,863	121,746	0	39,854	297,463
Cash Disbursements:					
Current:					
Security of Persons and Property	14,203	58,723			72,926
Leisure Time Activities		4,592			4,592
Community Environment	578				578
Basic Utility Services	4,553				4,553
Transportation	3,188	61,113			64,301
General Government	89,534	1,534			91,068
Capital Outlay			1,524,584		1,524,584
Total Cash Disbursements	112,056	125,962	1,524,584	0	1,762,602
Total Cash Receipts Over/(Under)Cash Disbursements	23,807	(4,216)	(1,524,584)	39,854	(1,465,139)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes			1,524,584		1,524,584
Transfers-In		2,000			2,000
Transfers-Out	(2,000)				(2,000)
Total Other Financing Receipts/(Disbursements)	(2,000)	2,000	1,524,584	0	1,524,584
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,807	(2,216)	0	39,854	59,445
Fund Cash Balances, January 1	116,274	75,156	0	0	191,430
Fund Cash Balances, December 31	\$138,081	\$72,940	\$0	\$39,854	\$250,875

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

**VILLAGE OF THORNVILLE
PERRY 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, 2001**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$323,329	\$	\$	\$323,329
Total Operating Cash Receipts	323,329	0	0	323,329
Operating Cash Disbursements:				
Personal Services	77,115			77,115
Contractual Services	103,559			103,559
Supplies and Materials	45,810			45,810
Total Operating Cash Disbursements	226,484	0	0	226,484
Operating Income/(Loss)	96,845	0	0	96,845
Non-Operating Cash Receipts:				
Earnings on Investment	7,596	306		7,902
Other Non-Operating Receipts	4,742		6,878	11,620
Total Non-Operating Cash Receipts	12,338	306	6,878	19,522
Non-Operating Cash Disbursements:				
Other Non-Operating Cash Disbursements	160		6,755	6,915
Total Non-Operating Cash Disbursements	160	0	6,755	6,915
Net Receipts Over/(Under) Disbursements	109,023	306	123	109,452
Fund Cash Balances, January 1	586,882	2,062	316	589,260
Fund Cash Balances, December 31	\$695,905	\$2,368	\$439	\$698,712

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

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property Tax and Other Local Taxes	\$45,012	\$35,469	\$	\$80,481
Intergovernmental Receipts	17,952	42,361		60,313
Charges for Services		550		550
Fines, Licenses, and Permits	1,684	3,082		4,766
Earnings on Investments	30,989	3,542		34,531
Miscellaneous	5,801	1,826		7,627
Total Cash Receipts	101,438	86,830	0	188,268
Cash Disbursements:				
Current:				
Security of Persons and Property	8,618	41,829		50,447
Leisure Time Activities		4,335		4,335
Community Environment	5,097			5,097
Basic Utility Services	2,376			2,376
Transportation		41,712		41,712
General Government	71,634	1,048		72,682
Debt Service:				
Principal Payments		1,649		1,649
Interest Payments		120		120
Capital Outlay	7,726		141,984	149,710
Total Cash Disbursements	95,451	90,693	141,984	328,128
Total Cash Receipts Over/(Under)Cash Disbursements	5,987	(3,863)	(141,984)	(139,860)
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes			141,984	141,984
Transfers-In		8,000		8,000
Transfers-Out	(8,000)			(8,000)
Other Financing Uses	(29,513)			(29,513)
Total Other Financing Receipts/(Disbursements)	(37,513)	8,000	141,984	112,471
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,526)	4,137	0	(27,389)
Fund Cash Balances, January 1	147,800	71,019	0	218,819
Fund Cash Balances, December 31	\$116,274	\$75,156	\$0	\$191,430

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

**VILLAGE OF THORNVILLE
PERRY 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, 2000**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$269,783	\$	\$	\$269,783
Total Operating Cash Receipts	269,783	0	0	269,783
Operating Cash Disbursements:				
Personal Services	76,241			76,241
Contractual Services	103,120			103,120
Supplies and Materials	26,805			26,805
Total Operating Cash Disbursements	206,166	0	0	206,166
Operating Income/(Loss)	63,617	0	0	63,617
Non-Operating Cash Receipts:				
Earnings on Investment	7,128	484		7,612
Other Non-Operating Receipts	1,673		7,377	9,050
Total Non-Operating Cash Receipts	8,801	484	7,377	16,662
Non-Operating Cash Disbursements:				
Debt Service	3,538			3,538
Other Non-Operating Cash Disbursements			7,304	7,304
Total Non-Operating Cash Disbursements	3,538	0	7,304	10,842
Net Receipts Over/(Under) Disbursements	68,880	484	73	69,437
Fund Cash Balances, January 1	518,002	1,578	243	519,823
Fund Cash Balances, December 31	\$586,882	\$2,062	\$316	\$589,260

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

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Thornville, Perry County (the Village), is a body corporate and politic established to exercise 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 water and sewer utilities, park operations, and police 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 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).

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

C. Cash and Investments

Investments are included in 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.

Certificates of deposit and mutual funds are valued at cost or fair value when donated. Money market mutual funds (including STAROhio) are recorded at share values reported by the mutual fund.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

VILLAGE OF THORNVILLE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Police Fund - This fund receives tax revenue and revenue from fines, licenses and permits to operate the Village's police department.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Funds:

Wastewater Treatment Plant Fund – This fund receives Ohio Water Development Authority loan proceeds for the purpose of constructing a wastewater treatment plant.

Water Feasibility Study Fund – This fund receives Ohio Water Development Authority loan proceeds for the purpose of a water feasibility study.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Swimming Pool Fund - This fund receives charges for services for swimming pool privileges during the summer.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified 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:

Cemetery Bequest Fund - This fund accounts for the principal and interest invested for the maintenance and care of specific cemetery plots and is classified as a Nonexpendable Trust Fund.

Leatherman Estate Fund – This fund accounts for mutual funds donated to the Village and is classified as an Expendable Trust Fund.

VILLAGE OF THORNVILLE
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Trust and Agency Funds) (Continued)

Mayor's Court Fund – This fund accounts for the financial activity of Mayor's Court and is classified as an Agency Fund.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The 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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2001	2000
Demand deposits	\$164,959	\$45,361
Certificates of deposit	145,637	172,753
Total deposits	310,596	218,114
STAROhio	599,137	562,576
Mutual Funds (at cost, fair value was \$40,137 at December 31, 2001.)	39,854	
Total investments	638,991	562,576
Total deposits and investments	\$949,587	\$780,690

At December 31, 2001, the Village held \$39,854 in mutual funds bequeathed to the Village through an estate.

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

Investments: Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$134,610	\$135,863	\$1,253
Special Revenue	123,630	123,746	116
Debt Service	10,686	0	(10,686)
Capital Projects	2,500,000	1,524,584	(975,416)
Enterprise	194,500	335,667	141,167
Fiduciary	0	40,160	40,160
Total	\$2,963,426	\$2,160,020	(\$803,406)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$289,040	\$114,056	\$174,984
Special Revenue	186,051	125,962	60,089
Debt Service	10,686	0	10,686
Capital Projects	2,500,000	1,524,584	975,416
Enterprise	755,957	226,644	529,313
Fiduciary	1,127	0	1,127
Total	\$3,742,861	\$1,991,246	\$1,751,615

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,572	\$101,438	\$12,866
Special Revenue	95,010	94,830	(180)
Debt Service	0	0	0
Capital Projects	0	141,984	141,984
Enterprise	156,000	278,584	122,584
Fiduciary	65	484	419
Total	\$339,647	\$617,320	\$277,673

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,006	\$132,964	\$71,042
Special Revenue	166,029	90,693	75,336
Debt Service	0	0	0
Capital Projects	0	141,984	(141,984)
Enterprise	718,392	209,704	508,688
Fiduciary	1,643	0	1,643
Total	\$1,090,070	\$575,345	\$514,725

Compliance and Accountability:

Contrary to Ohio law, expenditures exceeded appropriations by \$1,598 in the Recreation Fund for the year ended December 31, 2001. Also contrary to Ohio law, during 2000, proceeds of an Ohio Water Development Authority loan in the amount of \$141,984, and the corresponding expenditures, were not certified to the County Budget Commission and appropriated within the Wastewater Treatment Plant Capital Projects Fund.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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. 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.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Construction Loan	\$1,656,568	6.39%
Ohio Water Development Authority Planning Loan	10,000	0%
Mortgage Revenue Bonds	31,000	4.75%
Total	\$1,697,568	

The OWDA construction loan is for constructing a wastewater treatment plant and is expected to be completed in 2002. The loan will be repaid through user fees.

The mortgage revenue bonds relate to sewer construction and are being repaid through user fees.

The OWDA planning loan proceeds were used for a water feasibility study. This loan will be paid from user fees.

Amortization schedules are not available for the OWDA loans as the projects are not yet complete. Amortization of the mortgage revenue debt, including interest, is scheduled as follows:

	Mortgage Revenue Bonds
Year ending December 31:	
2002	11,235
2003	10,760
2004	11,261
Total	\$33,256

6. RETIREMENT SYSTEMS

All of the Village's employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for the periods January 1, 2001 through December 31, 2001 and January 1, 2000 through June 30, 2000. For the period July 1, 2000 through December 31, 2000, PERS temporarily reduced the employer's contribution rate to 8.13% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.

8. DEBT SERVICE TRUSTEED FUNDS

The Mortgage Sewer Revenue Bond agreement required the Village to establish a debt service fund and make periodic payments from this fund to a trustee. The Village has established this fund. At December 31, 2001, the custodian held Village assets with an approximate market value of \$32,979. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements. No further payments are required to be made to the trustee from the Village. The bonds have a scheduled final maturity date of April 1, 2004.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Thornville
Perry County
3 South Main Street
P.O. Box 607
Thornville, Ohio 43076

To the Village Council:

We have audited the accompanying financial statements of the Village of Thornville, Perry County, Ohio (the Village), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 18, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2001-31064-001 and 2001-31064-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2001-31064-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 18, 2002.

This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 18, 2002

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-31064-001

Noncompliance Citation

Ohio Rev. Code § 5705.41 (D) states that no subdivision or taxing unit 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 Village Clerk-Treasurer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

Then and Now Certificates - 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 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 the amount involved is less than \$1,000 dollars, the Village Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Of the expenditures tested, forty-seven percent were made without the fiscal officer's certification either before or after the commitment was incurred.

We recommend the Village personnel refrain from incurring Village obligations until the fiscal officer's certification is obtained. In those infrequent instances where a commitment is incurred before a certification is obtained, Village personnel should obtain a Then and Now Certificate.

FINDING NUMBER 2001-31064-002

Noncompliance Citation

Ohio Rev. Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2000, the Village was awarded an Ohio Water Development Authority(OWDA) loan for the purposes of constructing a wastewater treatment plant. The project was administered by OWDA and the financial activity during 2000 was not recorded on the Village's books. As a result, expenditures of \$141,984 were made on the Village's behalf but were not appropriated.

During 2001, expenditures exceeded appropriations in the Recreation Fund by \$1,598.

We recommend the financial activity of the wastewater treatment plant be recorded on the Village's books and budgeted accordingly. Expenditures should not be made unless appropriated.

VILLAGE OF THORNVILLE
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

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

FINDING NUMBER 2001-31064-003

Material Weakness

The Village applied for and received loans through the Ohio Water Development Authority (OWDA) for a wastewater treatment plant and a water feasibility study. Although the wastewater treatment plant loan was budgeted during 2001, separate funds were not established on the Village's books to account for the financial activity. The water feasibility study loan proceeds of \$10,000 were recorded in the Water Fund rather than a capital projects fund. The wastewater treatment plant loan proceeds and related expenditures were not recorded on the Village's books at all.

As a result, the financial activity of the Village was understated for both 2000 and 2001.

The 2001 financial statements were adjusted to include the proceeds of the water feasibility study loan and the related expenditures, each in the amount of \$10,000, in a Water Feasibility Study Fund. A Wastewater Treatment Plant Fund was also established to include the proceeds of the wastewater treatment plant loan proceeds and the related expenditures. Loan proceeds and capital outlay expenditures in like amounts were adjusted by \$141,984 and \$1,514,584 for 2000 and 2001, respectively. These adjustments, with which Village management agrees, are reflected in the accompanying financial statements.

We recommend the Village account for each project in a separate fund and record all transactions made on behalf of the Village in each fund. The Village should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-31064-001	A finding for recovery was issued against the pool manager for 1998.	No	This finding remains unpaid.
1999-31064-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated resources.	No	Partially Corrected: This is repeated in the Management Letter.
1999-31064-003	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for not receiving certification of availability of funds for expenditures from the Clerk prior to incurring an obligation.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2001-31064-001.
1999-31064-004	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.38 for not approving an annual appropriation measure until March.	No	Not Corrected: This is repeated in the Management Letter.
1999-31064-005	A material weakness was issued for not properly performing monthly bank reconciliations.	Yes	Finding No Longer Valid: The Clerk performed proper monthly bank reconciliations.



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OFFICE OF THE AUDITOR

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VILLAGE OF THORNVILLE

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
JULY 23, 2002**