



**Auditor of State  
Betty Montgomery**



VILLAGE OF CORNING  
PERRY COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Corning  
Perry County  
P.O. Box 447  
Corning, Ohio 43730-0447

To the Village Council:

We have audited the accompanying financial statements of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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 and reserves for encumbrances of the Village of Corning, Perry County, as of December 31, 2003 and 2002, 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 March 10, 2004 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 Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 10, 2004

**VILLAGE OF CORNING  
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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 29,874	\$ 576	\$ 30,450
Intergovernmental Receipts	39,205	71,241	110,446
Charges for Services		95,219	95,219
Fines, Licenses and Permits	5,267	260	5,527
Earnings on Investments	1,558		1,558
Miscellaneous	47	3,494	3,541
	<u>75,951</u>	<u>170,790</u>	<u>246,741</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	30,359	59,833	90,192
Public Health Services		6,968	6,968
Leisure Time Activities	10,306	162	10,468
Community Environment		4,983	4,983
Transportation	5,000	64,173	69,173
General Government	36,302	8,824	45,126
Capital Outlay		7,643	7,643
Debt Service:			
Principal Payments		23,953	23,953
Interest Payments		10,610	10,610
	<u>81,967</u>	<u>187,149</u>	<u>269,116</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(6,016)</u>	<u>(16,359)</u>	<u>(22,375)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources		80	80
Proceeds of Notes		16,863	16,863
Advances-In	5,000		5,000
Advances-Out		(5,000)	(5,000)
Sale of Fixed Assets		1,501	1,501
Other Financing Uses	(1,114)		(1,114)
	<u>3,886</u>	<u>13,444</u>	<u>17,330</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,130)	(2,915)	(5,045)
Fund Cash Balances, January 1	<u>27,146</u>	<u>87,351</u>	<u>114,497</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 25,016</u></b>	<b><u>\$ 84,436</u></b>	<b><u>\$ 109,452</u></b>
Reserves for Encumbrances, December 31	<u>\$ 4,527</u>	<u>\$ 13,946</u>	<u>\$ 18,473</u>

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

**VILLAGE OF CORNING  
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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 158,805	\$	\$ 158,805
Earnings on Investment	52		52
<b>Total Operating Cash Receipts</b>	<u>158,857</u>	<u>0</u>	<u>158,857</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	26,179		26,179
Fringe Benefits	4,308		4,308
Contractual Services	238,065		238,065
Supplies and Materials	73,325	8,985	82,310
Miscellaneous	91		91
Capital Outlay	10,866		10,866
<b>Total Operating Cash Disbursements</b>	<u>352,834</u>	<u>8,985</u>	<u>361,819</u>
Operating Income/(Loss)	<u>(193,977)</u>	<u>(8,985)</u>	<u>(202,962)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts		10,000	10,000
Proceeds of Notes	236,588		236,588
Other Financing Sources	13,116	6,096	19,212
<b>Total Non-Operating Cash Receipts</b>	<u>249,704</u>	<u>16,096</u>	<u>265,800</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Uses		6,212	6,212
Debt Service	19,105		19,105
<b>Total Non-Operating Cash Disbursements</b>	<u>19,105</u>	<u>6,212</u>	<u>25,317</u>
Net Receipts Over/(Under) Disbursements	36,622	899	37,521
Fund Cash Balances, January 1	19,220	131	19,351
<b>Fund Cash Balances, December 31</b>	<u>\$ 55,842</u>	<u>\$ 1,030</u>	<u>\$ 56,872</u>
Reserve for Encumbrances, December 31	<u>\$ 14,054</u>	<u>\$ 1,006</u>	<u>\$ 15,060</u>

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



**VILLAGE OF CORNING  
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, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 29,353	\$ 573	\$ 29,926
Intergovernmental Receipts	53,154	103,831	156,985
Charges for Services		99,619	99,619
Fines, Licenses and Permits	8,546	260	8,806
Miscellaneous	2,831	3,994	6,825
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	93,884	208,277	302,161
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	35,584	104,203	139,787
Public Health Services		3,809	3,809
Leisure Time Activities		1,526	1,526
Community Environment		94,385	94,385
Transportation		12,298	12,298
General Government	37,273	1,244	38,517
Debt Service:			
Principal Payments		168,089	168,089
Interest Payments		11,326	11,326
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	72,857	396,880	469,737
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	21,027	(188,603)	(167,576)
<b>Other Financing Receipts/(Disbursements):</b>			
Other Financing Sources	50		50
Proceeds of Notes		151,525	151,525
Transfers-In		7,103	7,103
Advances-In	12,653	5,000	17,653
Transfers-Out	(9,153)		(9,153)
Advances-Out	(5,000)	(5,303)	(10,303)
Sale of Fixed Assets		250	250
Other Financing Uses	(1,362)		(1,362)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(2,812)	158,575	155,763
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	18,215	(30,028)	(11,813)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	8,931	117,379	126,310
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$ 27,146</b>	<hr/> <b>\$ 87,351</b>	<hr/> <b>\$ 114,497</b>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$ 935	\$ 5,958	\$ 6,893

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

**VILLAGE OF CORNING  
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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 143,702	\$	\$ 143,702
Miscellaneous	9,199		9,199
Total Operating Cash Receipts	<u>152,901</u>	<u>0</u>	<u>152,901</u>
<b>Operating Cash Disbursements:</b>			
Current:			
Personal Services	23,894		23,894
Fringe Benefits	3,802		3,802
Contractual Services	367,087		367,087
Supplies and Materials	68,636		68,636
Miscellaneous	251		251
Total Operating Cash Disbursements	<u>463,670</u>	<u>0</u>	<u>463,670</u>
Operating Income/(Loss)	<u>(310,769)</u>	<u>0</u>	<u>(310,769)</u>
<b>Non-Operating Cash Receipts:</b>			
Other Financing Sources		9,660	9,660
Intergovernmental Receipts	173,161		173,161
Sale of Fixed Assets	250		250
Proceeds of Notes	172,660		172,660
Total Non-Operating Cash Receipts	<u>346,071</u>	<u>9,660</u>	<u>355,731</u>
<b>Non-Operating Cash Disbursements:</b>			
Other Financing Uses		9,983	9,983
Debt Service	15,084		15,084
Total Non-Operating Cash Disbursements	<u>15,084</u>	<u>9,983</u>	<u>25,067</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	20,218	(323)	19,895
Advances-Out	(7,350)		(7,350)
Transfers-In	2,050		2,050
Net Receipts Over/(Under) Disbursements	14,918	(323)	14,595
Fund Cash Balances, January 1	4,302	454	4,756
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 19,220</u></b>	<b><u>\$ 131</u></b>	<b><u>\$ 19,351</u></b>
Reserve for Encumbrances, December 31	<u>\$ 2,315</u>	<u>\$ 0</u>	<u>\$ 2,315</u>

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

**VILLAGE OF CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**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 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, and an elected Mayor and Clerk. The Village provides general governmental services, including police services, fire protection services, emergency medical services, cemetery maintenance, maintenance of Village streets and highways, and water utility 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**

The Village Clerk places all available funds of the Village in an interest bearing checking account.

**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 Funds**

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:

*Flood Mitigation Grant Program Fund* – This fund receives federal grant money designed to solve the Village's problems of repeated flooding and damage to housing stock, business, community organizations, and Village services.

**VILLAGE OF CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

*EMS Fund* – This fund receives money from three surrounding townships for emergency medical services, as well as money from charges related to emergency medical services runs.

**3. 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 Operating Fund* – This fund receives charges for services from residents to cover the cost of providing this utility.

*Waterline Improvement Fund* – This fund receives federal and state assistance as well as debt proceeds for the upgrade and repair of water lines.

*Sewer Fund* – This fund receives debt proceeds for the planning and design of a wastewater facility.

**4. Fiduciary Funds (Agency Funds)**

These funds account for activity for which the Village is acting in an agency capacity. The Village had the following significant Agency Funds:

*Mayor's Court Fund* – This fund accounts for the financial activity of the Mayor's Court.

*Bridgebuilders Fund* – The Village is acting as a fiscal agent for a program aiding against underage alcohol consumption.

**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 fund, function or object level of, 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**E. Fund Accounting (Continued)**

**2. Estimated Resources (Continued)**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated. However, the Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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**

The Village maintains a cash 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:

	2003	2002
Demand deposits	\$ 166,324	\$ 133,848

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 94,581	\$ 80,951	\$ (13,630)
Special Revenue	183,384	189,234	5,850
Enterprise	410,308	408,561	(1,747)
Total	\$ 688,273	\$ 678,746	\$ (9,527)

**VILLAGE OF CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 135,085	\$ 87,608	\$ 47,477
Special Revenue	261,324	206,095	55,229
Enterprise	422,036	385,993	36,043
Total	<u>\$ 818,445</u>	<u>\$ 679,696</u>	<u>\$ 138,749</u>

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 87,203	\$ 106,587	\$ 19,384
Special Revenue	790,495	372,155	(418,340)
Enterprise	731,047	501,022	(230,025)
Total	<u>\$ 1,608,745</u>	<u>\$ 979,764</u>	<u>\$ (628,981)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 106,056	\$ 89,307	\$ 16,749
Special Revenue	864,206	408,141	456,065
Enterprise	727,547	488,419	239,128
Total	<u>\$ 1,697,809</u>	<u>\$ 985,867</u>	<u>\$ 711,942</u>

Contrary to Ohio law, appropriations exceeded estimated resources at December 31, 2003 in the General and Street Paving Project 2002 Funds by \$14,223 and \$20,000, respectively.

**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.

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 CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest
Ohio Water Development Authority Loan	\$ 251,127	5.34%
Ohio Public Works Commission Loan	258,610	0.00%
General Obligation Notes	194,927	5.00 - 5.99%
Total	\$ 704,664	

The Ohio Water Development Authority (OWDA) loan relates to funding costs for planning and design of a wastewater (sewer) system and is expected to be repaid in a balloon payment on January 1, 2008 from utility system revenues.

The Ohio Public Works Commission (OPWC) loans were used for utility system improvements and will be repaid from utility system revenues.

The general obligation notes consist of issues for a fire truck, generator, dump truck, truck, and an emergency squad. The full faith and credit of the Village have been pledged to repay this debt.

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

Year Ending December 31:	OWDA Loan	OPWC Loan	General Obligation Notes
2004	\$	\$ 11,272	\$ 42,457
2005		11,272	30,572
2006		11,272	22,947
2007		11,272	127,987
2008	257,387	11,272	
Subsequent		202,250	
Total	\$ 257,387	\$ 258,610	\$ 223,963

**6. RETIREMENT SYSTEM**

The Village's employees, as well as the Village Council and Village Clerk, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer defined benefit pension 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 2003 and 2002, members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF CORNING  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$ 1,852,060	\$ 3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained Deficit	<u>\$ (1,775,261)</u>	<u>\$ (1,497,615)</u>

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.





## Auditor of State Betty Montgomery

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

Village of Corning  
Perry County  
P.O. Box 447  
Corning, Ohio 43730-0447

To the Village Council:

We have audited the accompanying financial statements of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 10, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 10, 2004.

#### 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 statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Village in a separate letter dated March 10, 2004.

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Village of Corning  
Perry County  
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Required By *Government Auditing Standards*  
Page 2

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

**Betty Montgomery**  
Auditor of State

March 10, 2004

VILLAGE OF CORNING  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECMEBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom.

Appropriations exceeded estimated resources in the following funds at December 31, 2003:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriaitons</u>
General Fund	\$ 120,862	\$ 135,085
Street Paving Project 2002	27,687	47,687

This could cause the Village to spend more money than is available to spend.

We recommend the Village monitor appropriations to ensure they do not exceed estimated resources.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Governing Board) can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$1,000 (\$3,000 after April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Funds were not properly encumbered for 50 percent of the transactions tested in 2003 and 75 percent of the transactions tested in 2002, and neither of the above exceptions were met.

We recommend the Village obtain the prior certification of the Village fiscal officer before an obligation is incurred.

**VILLAGE OF CORNING  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-31064-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.41(D) for failing to obtain prior certification of expenditures from the fiscal officer.	No	Not Corrected:  This issue is repeated in the current audit as Finding 2003-001.
2001-31064-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 for estimated resources exceeding actual revenue plus unencumbered cash and appropriations were greater than actual revenue plus unencumbered cash at December 31, 2001 in several funds.	Yes	N/A



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**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  
APRIL 20, 2004**