



**Auditor of State  
Betty Montgomery**



VILLAGE OF THORNVILLE  
PERRY COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Thornville  
Perry County  
PO Box 607  
Thornville, Ohio 43076

To the Village of Thornville:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

January 17, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Thornville  
Perry County  
PO 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 year ended December 31, 2004. 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.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

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We were unable to determine the completeness, occurrence, allocation, and rights and obligations of charges for services recorded in the Enterprise Fund Type, nor we able to satisfy ourselves as to those receipts by other auditing procedures. These utility revenues represent 94 percent of revenues of the Enterprise Fund Type for the year ended December 31, 2004.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support Charge for Services in the Enterprise Fund Type, 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, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

January 17, 2006



**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, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$56,124	\$41,140	\$	\$97,264
Intergovernmental Receipts	9,897	61,870		71,767
Charges for Services	6,892	750		7,642
Fines, Licenses, and Permits	5,061	1,611		6,672
Earnings on Investments	2,638	296		2,934
Miscellaneous	5,582	11,015		16,597
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,194	116,682	0	202,876
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	9,495	74,419		83,914
Leisure Time Activities		9,248		9,248
Community Environment	2,172			2,172
Basic Utility Services	2,432			2,432
Transportation	24,119	73,683		97,802
General Government	90,648			90,648
Debt Service:				
Principal Payments			67,875	67,875
Interest Payments			222,714	222,714
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	128,866	157,350	290,589	576,805
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(42,672)	(40,668)	(290,589)	(373,929)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In			197,792	197,792
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	0	197,792	197,792
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(42,672)	(40,668)	(92,797)	(176,137)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	43,171	90,254	(95,896)	37,529
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$499</b>	<b>\$49,586</b>	<b>(\$188,693)</b>	<b>(\$138,608)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$412,879	\$	\$412,879
Earnings on Investments		10,551	10,551
Miscellaneous	26,210		26,210
<b>Total Operating Cash Receipts</b>	<b>439,089</b>	<b>10,551</b>	<b>449,640</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	124,573		124,573
Contractual Services	164,864		164,864
Supplies and Materials	74,855		74,855
<b>Total Operating Cash Disbursements</b>	<b>364,292</b>	<b>0</b>	<b>364,292</b>
Operating Income/(Loss)	74,797	10,551	85,348
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	74,797	10,551	85,348
Transfers-Out	(197,792)		(197,792)
Net Receipts Over/(Under) Disbursements	(122,995)	10,551	(112,444)
Fund Cash Balances, January 1	717,725	42,433	760,158
<b>Fund Cash Balances, December 31</b>	<b>\$594,730</b>	<b>\$52,984</b>	<b>\$647,714</b>

*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, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Thornville, Perry County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police services.

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

**B. Basis of Accounting**

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

These statements adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposits at cost. Money market mutual funds are recorded at share values the mutual fund reports.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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, 2004  
(Continued)**

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

**D. Fund Accounting (Continued)**

**3. Debt Service Fund**

These funds account for resources the Village accumulates to pay bond and note debt. The significant Debt Service Fund is the Sewer Debt Reserve Fund which receives transfers from the Sewer Fund to pay principal and interest payments on the OWDA Wastewater Treatment Loan.

**4. Enterprise Funds**

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

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

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

**5. Fiduciary Funds (Trust 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 trust, the fund is classified as a nonexpendable trust fund. The Village had the following significant Fiduciary Fund:

Leatherman Estate Fund – This fund receives interest revenue from a bequest.

**E. Budgetary Process**

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

**1. Appropriations**

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

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

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

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

**E. Budgetary Process (Continued)**

**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 cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 budgetary activity appears in Note 3.

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

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

**G. Unpaid Vacation and Sick 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 INVESTMENTS**

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

Demand Deposits	\$158,730
Certificates of Deposit	300,000
Total Deposits	<u>458,730</u>
Money Market Mutual Fund	50,376
Total Investments	<u>50,376</u>
Total Deposits and Investments	<u><u>\$509,106</u></u>

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

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

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

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form. The market value of these securities at December 31, 2004 is \$50,376.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,853	\$86,194	\$6,341
Special Revenue	123,780	116,682	(7,098)
Debt Service	0	197,792	197,792
Enterprise	195,000	439,089	244,089
Fiduciary	0	10,551	10,551
Total	\$398,633	\$850,308	\$451,675

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,100	\$128,866	\$36,234
Special Revenue	175,000	157,350	17,650
Debt Service	191,800	290,589	(98,789)
Enterprise	467,500	562,084	(94,584)
Fiduciary	6,000	0	6,000
Total	\$1,005,400	\$1,138,889	(\$133,489)

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not obtain the Clerk's prior certification for all commitments

Contrary to Ohio Rev. Code Section 5705.41(B), the Village had funds in which the expenditures exceeded appropriations at the legal level of control.

Contrary to Ohio Rev. Code Section 5705.38, the Village did not pass a permanent appropriation measure, only a temporary appropriation was passed.

Contrary to Ohio Rev. Code Section 5705.39, the Village had funds in which the appropriations exceeded estimated resources.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

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

**4. PROPERTY TAX**

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

Public Utilities are also taxed on personal and real property located within the Village.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Wastewater Treatment Plant	\$2,249,203	6.39%
OWDA Loan - Water Planning and Design	357,890	5.40%
Total	<u>\$2,607,093</u>	

The Ohio Water Development Authority (OWDA) loan for Wastewater Treatment Plant was used to build a wastewater treatment plant. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan for Water Planning and Design was used for engineering studies. The loan is collateralized by water. The OWDA has approved up to \$357,890 in loans to the Village for this project. The Village has drawn down \$31,532. The scheduled payment amount below assumes the \$357,890 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

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

**5. DEBT (Continued)**

Year Ending December 31:	OWDA Loan 3313 Wastewater Treatment	OWDA Loan 3557 Water Feasibility Study
2005	\$95,895	\$0
2006	191,791	0
2007	191,791	0
2008	191,791	83,173
2009	191,791	83,173
2010-2014	958,956	249,519
2015-2019	958,956	
2020-2024	958,956	
2025-2027	479,478	
Total	\$4,219,405	\$415,865

**6. CAPITAL LEASES**

The Village has two capital leases. The Village leased a 2003 Chevrolet Impala for the police department on December 15, 2002 at a capitalized cost of \$20,503 with GMAC. These lease payments are made from the Police Levy Fund and at December 31, 2004 there remains a balance of \$7,276. Also, the Village leased a 2003 Ford F-250 for the utility department on April 14, 2003 with Ford Credit for four annual payments of \$8,184 with a maturity date of April 14, 2006. These payments will be made from the Water and Sewer Funds and at December 31, 2004 there remains a balance of \$16,368.

**7. RETIREMENT SYSTEMS**

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.



**VILLAGE OF THORNVILLE  
PERRY COUNTY**

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

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly-administered self-insurance risk management program and other administrative services to the approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 coverage, 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 issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2004</b>	<b>2003</b>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

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**Auditor of State  
Betty Montgomery**

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

Village of Thornville  
Perry County  
PO Box 607  
Thornville, Ohio 43076

To the Village Council:

We have audited the financial statements of the Village of Thornville, Perry County, Ohio (the Village), as of and for the year ended December 31, 2004, and have issued our report thereon dated January 17, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted we were unable to satisfy ourselves to the completeness, occurrence, allocation and rights and obligations of charge for services for the Enterprise Fund Type. Except as discussed in the preceding sentences, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. The reportable conditions are described in the accompanying Schedule of Findings as items 2004-001, 2004-003, 2004-005 and 2004-006.

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. We consider Findings 2004-001 and 2004-006 to be material weaknesses. In a separate letter to the Village's management dated January 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-006. In a separate letter to the Village's management dated January 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

January 17, 2006

VILLAGE THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004

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

FINDING NUMBER 2004-001

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now"** certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. **Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures tested during 2004. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004  
(Continued)

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

**FINDING NUMBER 2004-001 (Continued)**

**Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D) (1) (Continued)**

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

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2004, the Village had the following funds with unadjusted negative fund balances: General Fund in the amount of \$43,124, Recreation Fund in the amount of \$1,898, Police Levy Fund in the amount of \$26,031 and Sewer Debt Service in the amount of \$188,693.

The Village also operated throughout the year with a negative fund balance in the following funds: General, Recreation, Police Levy, Sewer Debt Service and Swimming Pool Funds.

We recommend the Village monitor fund balances in order to avoid negative fund balances. When cash flow problems arise, monies should be advanced as outlined in Auditor of State Bulletin 97-003.

**FINDING NUMBER 2004-003**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

The Village passed a Temporary Appropriation Resolution on January 7, 2004. No permanent appropriation resolution was passed.

We recommend the Village pass a permanent appropriation measure by April 1 of each year and document such approval in the official minute record of the village.

**VILLAGE THORNVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004  
(Continue)**

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

**FINDING NUMBER 2004-004**

**Noncompliance Citation**

Ohio Rev. Code § 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated revenue. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Village had appropriations in excess of estimated resources as follows:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
General	\$152,222	\$175,900	(\$23,678)
Recreation	1,963	6,700	(4,737)
Police Levy	20,338	65,500	(45,162)
Sewer Debt Service	0	191,800	(191,800)
Leatherman Estate	0	6,000	(6,000)

This practice could allow for the village to spend resources beyond those available. We also noted the certificate from the County Auditor stated exceptions to appropriation not exceeding the official estimate of resources.

We recommend the Village ensure appropriations do not exceed estimated revenue and obtain a certificate from the County Auditor stating that appropriations do not exceed estimated revenue.

**FINDING NUMBER 2004-005**

**Noncompliance Citation/Reportable Condition**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

The following funds had expenditures which exceeded appropriations at the legal level of control at December 31, 2004:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<u>General Fund</u>			
Basic Utility Services			
Electrical Utility			
Contractual Services	\$1,800	\$4,447	(\$2,647)
Transportation			
Sidewalks			
Contractual Services	3,000	19,955	(16,955)

**VILLAGE THORNVILLE  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004  
(Continued)**

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

**FINDING NUMBER 2004-005 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)**

<u>General Government</u>			
Legislative Activities (Council)			
Personnel Services			
Salaries and Wages	7,500	10,500	(3,000)
Mayor's Court			
Salaries and Wages	0	4,370	(4,370)
Auditor of State's Fees	1,200	7,795	(6,595)
Other General Government			
Supplies and Materials	0	8,201	(8,201)
Capital Outlay	0	2,070	(2,070)
 <u>Street Construction, Maintenance and Repair Fund</u>			
<u>Transportation</u>			
Other Transportation			
Contractual Services	25,000	30,945	(5,945)
 <u>Recreation Fund</u>			
Leisure Time Activities			
Recreation Program			
Personnel Services			
Salaries and Wages	0	4,587	(4,587)
 <u>Police Levy Fund</u>			
Security of Persons and Property			
Police Law Enforcement			
Contractual Services	8,500	22,206	(13,706)
 <u>Sewer Debt Service Funds</u>			
Principal	51,400	222,714	(171,314)
 <u>Water Fund</u>			
<u>Pumping</u>			
Contractual Services	25,000	28,791	(3,791)
<u>Meters</u>			
Contractual Services	0	4,411	(4,411)
<u>Lands and Buildings</u>			
Contractual Services	1,500	8,029	(6,529)
 <u>Sewer Fund</u>			
Personal Services			
Sewer Pumping			
Salaries and Wages	60,000	81,757	(21,757)



VILLAGE THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004  
(Continued)

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

**FINDING NUMBER 2004-005 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B)(Continued)**

<u>Swimming Pool</u>			
Leisure Time Activities			
Personnel Services			
Salaries and Wages	9,000	13,503	(4,503)

We noted other immaterial instances of noncompliance which were not included in the schedule above. We recommend the Village post appropriations to the ledgers as approved by Village Council and monitor to ensure expenditures do not exceed appropriations as approved by Village Council.

**FINDING NUMBER 2004-006**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 149.351(A) provides 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 under Section 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.

For 2004, utility billings, collections and customer accounts were maintained on computer software. However, all utility information provided on the computer software was not accessible due to a departmental computer crash and hard copies were not maintained for all billing, collection and posting of customer accounts.

We recommend the Village maintain all documentation as required by the Ohio Revised Code. In addition, the Village should have a disaster recovery plan for records maintained on computer systems.

**VILLAGE THORNVILLE  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Ohio Rev. Code Section 5705.41(D) – failure to certify funds prior to purchase commitment	No	Not Corrected; the noncompliance citation is repeated as Finding Number 2004-001 in the Schedule of Findings.
2003-002	Material Weakness – Village failed to record OWDA activity.	Yes	



**Auditor of State  
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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  
FEBRUARY 9, 2006**