



**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Mount Cory
Hancock County
109 South Main Street
PO Box 5
Mount Cory, Ohio 45868-0005

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an 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 adverse 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 18, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Mount Cory
Hancock County
109 South Main Street
PO Box 5
Mount Cory, Ohio 45868-0005

To the Village Council:

We have audited the accompanying financial statements of the Village of Mount Cory, Hancock County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position or cash flows where applicable for the years then ended.

Also, 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 Mount Cory, Hancock County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007, 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.



Mary Taylor, CPA
Auditor of State

October 18, 2005

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Local Taxes | \$5,512 | | \$5,512 |
| Intergovernmental | 49,876 | \$12,367 | 62,243 |
| Special Assessments | | 8,952 | 8,952 |
| Charges for Services | 2,755 | | 2,755 |
| Earnings on Investments | 1,501 | | 1,501 |
| Miscellaneous | 379 | | 379 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts | 60,023 | 21,319 | 81,342 |
| | <hr/> | <hr/> | <hr/> |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 15,297 | 7,152 | 22,449 |
| Public Health Services | 858 | | 858 |
| Leisure Time Activities | 7,688 | | 7,688 |
| Basic Utility Service | 3,057 | | 3,057 |
| Transportation | 263 | 377 | 640 |
| General Government | 20,154 | | 20,154 |
| Capital Outlay | 3,039 | | 3,039 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Disbursements | 50,356 | 7,529 | 57,885 |
| | <hr/> | <hr/> | <hr/> |
| Total Cash Receipts Over Cash Disbursements | 9,667 | 13,790 | 23,457 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, January 1 | 1,007 | 74,832 | 75,839 |
| | <hr/> | <hr/> | <hr/> |
| Fund Cash Balances, December 31 | \$10,674 | \$88,622 | \$99,296 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Reserve for Encumbrances, December 31 | \$93 | | \$93 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

| | Enterprise |
|--|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$56,805 |
| Operating Cash Disbursements: | |
| Personal Services | 1,828 |
| Contractual Services | 51,754 |
| Capital Outlay | 23,642 |
| Total Operating Cash Disbursements | 77,224 |
| Operating Loss | (20,419) |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 105,100 |
| Earnings on Investments | 3,185 |
| Total Non-Operating Cash Receipts | 108,285 |
| Non-Operating Cash Disbursements: | |
| Redemption of Principal | 3,190 |
| Interest and Other Fiscal Charges | 29,868 |
| Total Non-Operating Cash Disbursements | 33,058 |
| Net Receipts Over Disbursements | 54,808 |
| Fund Cash Balances, January 1 | 174,183 |
| Fund Cash Balances, December 31 | \$228,991 |

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Local Taxes | \$5,305 | | | \$5,305 |
| Intergovernmental | 44,554 | \$11,588 | \$67,225 | 123,367 |
| Special Assessments | | 8,779 | | 8,779 |
| Charges for Services | 1,690 | | | 1,690 |
| Earnings on Investments | 539 | | | 539 |
| Miscellaneous | 1,480 | | | 1,480 |
| | <hr/> | | | <hr/> |
| Total Cash Receipts | 53,568 | 20,367 | 67,225 | 141,160 |
| | <hr/> | | | <hr/> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 16,462 | | | 16,462 |
| Public Health Services | 438 | | | 438 |
| Leisure Time Activities | 10,663 | | | 10,663 |
| Basic Utility Service | 3,071 | | | 3,071 |
| Transportation | 3,875 | 8,870 | | 12,745 |
| General Government | 34,046 | | | 34,046 |
| Capital Outlay | 6,416 | | 84,366 | 90,782 |
| | <hr/> | | | <hr/> |
| Total Cash Disbursements | 74,971 | 8,870 | 84,366 | 168,207 |
| | <hr/> | | | <hr/> |
| Total Receipts Over/(Under) Disbursements | (21,403) | 11,497 | (17,141) | (27,047) |
| | <hr/> | | | <hr/> |
| Other Financing (Disbursements): | | | | |
| Transfers-Out | | | (111) | (111) |
| | | | <hr/> | <hr/> |
| Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (21,403) | 11,497 | (17,252) | (27,158) |
| | <hr/> | | | <hr/> |
| Fund Cash Balances, January 1 | 22,410 | 63,335 | \$17,252 | 102,997 |
| | <hr/> | | | <hr/> |
| Fund Cash Balances, December 31 | \$1,007 | \$74,832 | | \$75,839 |
| | <hr/> <hr/> | | | <hr/> <hr/> |
| Reserve for Encumbrances, December 31 | \$340 | | | \$340 |
| | <hr/> <hr/> | | | <hr/> <hr/> |

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Enterprise |
|---|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$56,279 |
| Operating Cash Disbursements: | |
| Personal Services | 1,836 |
| Contractual Services | 17,913 |
| Capital Outlay | 2,707 |
| Total Operating Cash Disbursements | 22,456 |
| Operating Income | 33,823 |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 14,503 |
| Earnings on Investments | 953 |
| Sale of Bonds | 535,000 |
| Total Non-Operating Cash Receipts | 550,456 |
| Non-Operating Cash Disbursements: | |
| Redemption of Principal | 552,693 |
| Excess of Receipts Over Disbursements Before Interfund Transfers | 31,586 |
| Transfers-In | 111 |
| Net Receipts Over Disbursements | 31,697 |
| Fund Cash Balances, January 1 | 142,486 |
| Fund Cash Balances, December 31 | \$174,183 |
| Reserve for Encumbrances, December 31 | \$21,834 |

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Mount Cory, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities and park operations. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 Funds

These funds account for proceeds from specific sources (other than from private-purpose 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.

Lighting Fund – This fund receives assessments to provide lighting for the Village.

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sanitary Sewer Construction Fund – This fund receives grants and loan proceeds. The proceeds were used for installation of sanitary sewer lines within the Village.

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 Fund:

Sewer Fund - This fund receives a flat monthly fee from residents to cover sewer service costs and retire the debt on the construction of the sewer system.

D. 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, function or object level of control, and appropriations may not exceed estimated resources. The Village 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.

2. Estimated Resources

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 individual commitments are made. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A summary of 2006 and 2005 budgetary activity appears in Note 3.

E. 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.

2. EQUITY IN POOLED CASH

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

| | | |
|-----------------|-----------|-----------|
| | 2006 | 2005 |
| Demand deposits | \$328,287 | \$250,022 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

| 2006 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$59,120 | \$60,023 | \$903 |
| Special Revenue | 18,450 | 21,319 | 2,869 |
| Enterprise | 60,000 | 165,090 | 105,090 |
| Total | \$137,570 | \$246,432 | \$108,862 |

| 2006 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$65,707 | \$50,449 | \$15,258 |
| Special Revenue | 89,766 | 7,529 | 82,237 |
| Enterprise | 254,089 | 110,282 | 143,807 |
| Total | \$409,562 | \$168,260 | \$241,302 |

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY – (CONTINUED)

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$59,668 | \$53,568 | (\$6,100) |
| Special Revenue | 21,616 | 20,367 | (1,249) |
| Capital Projects | 42,901 | 67,225 | 24,324 |
| Enterprise | 9,743 | 606,846 | 597,103 |
| Total | \$133,928 | \$748,006 | \$614,078 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$90,664 | \$75,311 | \$15,353 |
| Special Revenue | 81,434 | 8,870 | 72,564 |
| Capital Projects | 77,305 | 84,477 | (7,172) |
| Enterprise | 291,974 | 596,983 | (305,009) |
| Total | \$541,377 | \$765,641 | (\$224,264) |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects and Sewer funds by \$7,172 and \$305,009, respectively, for the year ended December 31, 2005.

4. PROPERTY TAX

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

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

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 MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|-----------------------------------|-------------------------|----------------------|
| Mortgage Revenue Bonds | \$535,000 | 4.25% |
| Ohio Public Works Commission Loan | 52,627 | |
| USDA/Rural Development Loan | <u>118,000</u> | 4.50% |
| Total | <u><u>\$705,627</u></u> | |

The Ohio Public Works Commission Loan represents the Village's 23% share of debt incurred by the Village of Rawson for sewer lagoon installation as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 8.

The United States Department of Agriculture/Rural Development loan represents the Village's 23% share of debt incurred by the Village of Rawson for the development of the wastewater treatment plant as per the intergovernmental agreement signed with the Villages of Rawson and Benton Ridge as described in Note 8.

Mortgage Revenue Bonds were issued to finance the sewer system project the Ohio Environmental Protection Agency mandated. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2006 is \$26,535.

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

| Year ending December 31: | <u>OWPC Loan</u> | <u>USDA Loan</u> | <u>Mortgage Revenue Bonds</u> |
|--------------------------|------------------------|-------------------------|---------------------------------------|
| 2007 | \$1,595 | \$7,193 | \$22,738 |
| 2008 | 3,190 | 7,193 | 28,638 |
| 2009 | 3,189 | 7,193 | 28,587 |
| 2010 | 3,190 | 7,193 | 28,627 |
| 2011 | 3,189 | 7,193 | 28,655 |
| 2012-2016 | 15,948 | 35,965 | 143,163 |
| 2017-2021 | 15,947 | 35,965 | 143,100 |
| 2022-2026 | 6,379 | 35,965 | 143,027 |
| 2027-2031 | | 35,965 | 143,067 |
| 2032-2036 | | 35,965 | 143,222 |
| 2037-2041 | | 35,965 | 143,080 |
| 2042-2044 | | 21,430 | 114,507 |
| Total | <u><u>\$52,627</u></u> | <u><u>\$273,185</u></u> | <u><u>\$1,110,411</u></u> |

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. RETIREMENT SYSTEM

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles.

8. INTERGOVERNMENTAL AGREEMENT

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Benton Ridge for the construction of a waste water treatment facility. The facility was completed during 2004 and is owned by the Village of Rawson. Mount Cory and Benton Ridge will be entitled to utilize 23 percent and 31 percent of the facility, respectively, in exchange for payment of a like percentage of the service on the debt incurred by the Village of Rawson to build the facility and annual operating expenses. The term of the agreement is the greater of the facilities useful life or the term of the debt incurred by the Village of Rawson to construct it. Each village will have a representative on the management board of the facility.



Mary Taylor, CPA

Auditor of State

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

Village of Mount Cory
Hancock County
109 South Main Street
PO Box 5
Mount Cory, Ohio 45868-0005

To the Village Council:

We have audited the financial statements of the Village of Mount Cory, Hancock County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 18, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated October 18, 2007.

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 is described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 18, 2007.

We intend this report solely for the information and use of the finance committee, management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 18, 2007

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance/Material Weakness

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(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, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the 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 Council.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – Council 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the transactions tested were certified by the Clerk/Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2006-001
(Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer.

Official's Responses: Officials did not respond to this finding.

FINDING NUMBER 2006-002

Noncompliance/Material Weakness

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38.

In 2005 the Village was the beneficiary of \$38,728 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. They also benefited from the sale of Mortgage Revenue Bonds of \$535,000 that went directly to Ohio Water Development Authority (OWDA) to pay off a loan for the sewer project. This activity was not recorded on the ledgers of the Village. Since OPWC paid the invoices and the Bond money went directly to (OWDA), the Village did not receive this cash. However, Auditor of State Bulletins 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements when the Village applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund and Sewer Fund. These funds in the Capital Projects fund and Sewer fund were not appropriated causing expenditures to exceed appropriations in the Capital Projects fund by \$7,172 and in the Sewer Fund by \$305,009 contrary to R.C. 5705.41(B) which requires all expenditures to be appropriated.

The accompanying financial statements and budgetary activity in the footnote include audit adjustments to report these transactions.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records and appropriate funds for the expenditures. In addition, Village management should review Auditor of State Bulletins 2000-008 and 2002-004.

Official's Response: Officials did not respond to this finding.

FINDING NUMBER 2006-003

Financial Reporting/Material Weakness

As a result of audit procedures performed, the following errors were noted in the financial statements presented that required audit adjustments.

The financial statements for 2005 were adjusted as follows:

- Prior period audit adjustments were not posted correctly to the financial statements resulting in the 2005 beginning fund balances on the annual financial report submitted to the Auditor of State did not agree to the 2004 audited ending balances as follows: General fund \$5,331, Street Lighting fund \$3,516, Capital Projects fund \$17,252 and Sewer fund \$15,596. Also, there was \$141,401 of 2004 expenditures reported as capital outlay in the Sewer fund.
- The following activity was not reported on the 2005 annual financial report in the following funds: intergovernmental revenue of \$14,503, debt proceeds from sale of bonds of \$535,000 and redemption of principal of \$549,503 in the Sewer fund; intergovernmental revenue and related capital outlay expenses of \$24,225 related to an OPWC grant in the Capital Projects fund.
- Intergovernmental revenue of \$43,000 and capital outlay expenses of \$60,141 were reported in the Sewer fund which was related to the Capital Projects fund.
- Intergovernmental revenue from FEMA of \$2,055 was reported in the General fund instead of reporting as its own Special Revenue fund.
- Charges for services of \$56,279 in the Sewer fund were classified as miscellaneous revenue.
- Principal payment of \$3,190 was classified as capital outlay in the Sewer fund
- Special assessments of \$8,779 in the Street Lighting fund were classified as intergovernmental revenue.
- Intergovernmental revenue of \$1,150 in the General fund was classified as miscellaneous revenue.

The financial statements for 2006 were adjusted as follows:

- Intergovernmental revenue of \$26,535 was classified as earnings on investment in the Sewer fund instead of intergovernmental revenue in the Sewer Debt Reserve fund.
- A voided check of \$6,934 was not taken of the books in the Sewer fund, causing the balance to be understated.
- Capital outlay expenses as reported on the annual financial report were overstated by \$3,744 when compared to the Budget History Report expenses in the Sewer fund
- Charges for services of \$56,805 and intergovernmental revenue of \$78,565 in the Sewer fund were classified as earnings on investment.
- Redemption of principal of \$3,190 and interest charges of \$29,868 were classified as capital outlay in the Sewer fund.
- Intergovernmental revenue of \$12,367 in the Street Construction, Maintenance and Repair and State Highway funds were coded to property and other local tax and fines, licenses, and permits.

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Clerk/Treasurer and Council, to identify and correct errors and omissions. The Clerk/Treasurer should also review the Village Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Official's Response: Officials did not respond to this finding.

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2004-001 | Ohio Revised Code 5705.41(D) - certifying expenditures | No | No corrected, repeated as Finding 2006-001. |
| 2004-002 | Ohio Revised Code 5705.42 -not posting OPWC financial activity on the statements | No | No corrected, repeated as Finding 2006-002. |



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT CORY

HANCOCK 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
NOVEMBER 13, 2007