

VILLAGE OF THORNVILLE
AUDIT REPORT
JANUARY 1, 2018 - DECEMBER 31, 2019

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Thornville
PO Box 607
Thornville, OH 43076

We have reviewed the *Independent Auditor's Report* of the Village of Thornville, Perry County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Thornville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 6, 2020

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**VILLAGE OF THORNVILLE
PERRY COUNTY
JANUARY 1, 2018 - DECEMBER 31, 2019**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Thornville
Perry County
P.O. Box 607
Thornville, Ohio 43076

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Village of Thornville, Perry County, as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Thornville as of December 31, 2019 and 2018, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type and the related notes of Village of Thornville, Perry County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2019 financial statements, during 2020, the impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2020, on our consideration of the Village of Thornville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 15, 2020

**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, 2019**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts				
Property and Other Taxes	\$ 88,583	\$ 65,408	\$ -	\$ 153,991
Intergovernmental	21,931	79,267	-	101,198
Charges for Services	-	19,895	-	19,895
Fines, Licenses, and Permits	49,839	319	-	50,158
Earnings on Investments	28,278	27,247	3	55,528
Miscellaneous	51,826	644	-	52,470
Total Cash Receipts	<u>240,457</u>	<u>192,780</u>	<u>3</u>	<u>433,240</u>
Cash Disbursements				
Current:				
Security of Persons and Property	23,293	54,051	-	77,344
Leisure Time Activities	-	16,868	-	16,868
Community Environment	6,323	-	-	6,323
Basic Utility Services	-	16,675	-	16,675
Transportation	-	65,344	-	65,344
General Government	93,979	3,620	-	97,599
Capital Outlay	15,000	-	-	15,000
Debt Service:				
Principal Retirement	-	1,328	-	1,328
Total Cash Disbursements	<u>138,595</u>	<u>157,886</u>	<u>-</u>	<u>296,481</u>
Net Change in Fund Cash Balances	101,862	34,894	3	136,759
Fund Cash Balances, January 1, 2019, restated	<u>601,719</u>	<u>587,385</u>	<u>1,118</u>	<u>1,190,222</u>
Fund Cash Balances, December 31, 2019				
Nonspendable	-	-	1,000	1,000
Restricted	-	622,279	121	622,400
Assigned	6,561	-	-	6,561
Unassigned (Deficit)	697,020	-	-	697,020
Fund Cash Balances, December 31, 2019	<u>\$ 703,581</u>	<u>\$ 622,279</u>	<u>\$ 1,121</u>	<u>\$ 1,326,981</u>

See notes to financial statements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Proprietary</u>	<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 876,572	\$ -	\$ 876,572
Fines, Licenses and Permits	-	4,125	4,125
Miscellaneous	663	-	663
Total Operating Cash Receipts	<u>877,235</u>	<u>4,125</u>	<u>881,360</u>
Operating Cash Disbursements:			
Personal Services	208,272	-	208,272
Fringe Benefits	83,906	-	83,906
Contractual Services	138,772	-	138,772
Supplies and Materials	129,824	-	129,824
Other	40,000	-	40,000
Total Operating Cash Disbursements	<u>600,774</u>	<u>-</u>	<u>600,774</u>
Operating Income/(Loss)	<u>276,461</u>	<u>4,125</u>	<u>280,586</u>
Non-Operating Cash Receipts (Disbursements):			
Intergovernmental	27,671	-	27,671
Special Assessments	1,367	-	1,367
Miscellaneous Receipts	2,368	-	2,368
Principal Retirement	(120,386)	-	(120,386)
Interest and Other Fiscal Charges	(71,785)	-	(71,785)
Other Financing Uses	-	(4,001)	(4,001)
Total Non-Operating Cash Disbursements	<u>(160,765)</u>	<u>(4,001)</u>	<u>(164,766)</u>
Net Change In Fund Cash Balance	115,696	124	115,820
Fund Cash Balances, January 1, 2019	<u>1,624,556</u>	<u>2,250</u>	<u>1,626,806</u>
Fund Cash Balances, December 31, 2019	<u>\$ 1,740,252</u>	<u>\$ 2,374</u>	<u>\$ 1,742,626</u>

See notes to financial statements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. REPORTING ENTITY

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 directs the Village. The Village provides police protection, parks and recreation, zoning, street maintenance and repairs, water and sewer.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund – This fund accounts for the money received from the levy and also pays for the expenses to run the police department.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Funds

These funds account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the upkeep of the benefactor's family lot in the Village's cemetery.

Enterprise Funds

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

Water Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

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 in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

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

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 is as follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 170,975	\$ 240,457	\$ 69,482
Special Revenue	157,950	192,780	34,830
Permanent	-	3	3
Enterprise	602,000	908,641	306,641
Total	\$ 930,925	\$ 1,341,881	\$ 410,956

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 254,300	\$ 145,156	\$ 109,144
Special Revenue	273,230	157,886	115,344
Enterprise	1,121,896	792,945	328,951
Total	\$ 1,649,426	\$ 1,095,987	\$ 553,439

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

4. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2019
Demand Deposits	\$ 2,926,721
Certificate of Deposit	1,000
Total Deposits	2,927,721
Equity Mutual Funds	141,886
Total Deposits and investments	<u>\$3,069,607</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2019, the Village contracted with Wichert Insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

The Village's health insurance is handled by Medical Mutual. The cost per employee is based on coverage elected along with several other factors.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Some of the Village’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement

The Village’s full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a 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. OP&F participants, in 2019, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer’s wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2019.

8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019, OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

9. DEBT

Debt outstanding at December 31, 2019 was as follows:

	2019 Principal	%
Ohio Water Development Authority Loan #3313	\$ 1,068,984	6.39
Ohio Public Works Commission Loan CR13N	60,598	0.00
Ohio Public Works Commission Loan CR25P	17,922	0.00
Total	\$ 1,147,504	

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

9. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to the construction of a waste water treatment plant project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$2,415,000 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$95,896, including interest, over 25 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CR13N relates to the loan for the upgrade of the Village's sewer infiltration and inflow system not to exceed \$128,000. The Village will repay the loans in semiannual installments of \$1,289 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CR25P relates to the improvements of Village streets not to exceed \$39,637. The Village will repay the loans in semiannual installments of \$664 over 20 years. The Village's taxing authority collateralized the loan.

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

Year Ending December 31	OWDA #3313	OPWC CR13N	OPWC CR25P
2020	\$ 166,980	\$ 2,579	\$ 1,328
2021	170,027	2,579	1,328
2022	173,270	2,579	1,328
2023	176,725	2,579	1,328
2024	180,404	2,579	1,328
2025-2029	372,816	12,893	6,640
2030-2034	-	12,893	4,642
2035-2039	-	12,893	-
2040-2044	-	9,024	-
	<u>\$ 1,240,222</u>	<u>\$ 60,598</u>	<u>\$ 17,922</u>

10. RESTATEMENT OF FUND BALANCE

Fund balance in the Special Revenue Fund have been restated for the year beginning January 1, 2019 as voided checks were added back.

	Special Revenue
Fund Balance at December 31, 2018	\$ 587,279
Adjustments	106
Fund Balance at January 1, 2019	<u>\$ 587,385</u>

11. SUBSEQUENT EVENTS

The United State and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts				
Property and Other Taxes	\$ 89,276	\$ 65,408	\$ -	\$ 154,684
Intergovernmental	21,869	67,003	-	88,872
Charges for Services	-	19,471	-	19,471
Fines, Licenses, and Permits	49,995	150	-	50,145
Earnings on Investments	12,895	7,816	-	20,711
Miscellaneous	25,670	2,238	-	27,908
Total Cash Receipts	<u>199,705</u>	<u>162,086</u>	<u>-</u>	<u>361,791</u>
Cash Disbursements				
Current:				
Security of Persons and Property	24,244	58,306	-	82,550
Leisure Time Activities	-	10,776	-	10,776
Community Environment	5,578	-	-	5,578
Basic Utility Services	-	11,993	-	11,993
Transportation	96	55,371	-	55,467
General Government	129,085	15,000	-	144,085
Debt Service:				
Principal Retirement	-	1,328	-	1,328
Total Cash Disbursements	<u>159,003</u>	<u>152,774</u>	<u>-</u>	<u>311,777</u>
Net Change in Fund Cash Balances	40,702	9,312	-	50,014
Fund Cash Balances, January 1, 2018, restated	<u>561,017</u>	<u>577,967</u>	<u>1,118</u>	<u>1,140,102</u>
Fund Cash Balances, December 31, 2018				
Nonspendable	-	-	1,000	1,000
Restricted	-	471,999	118	472,117
Assigned	68,255	115,280	-	183,535
Unassigned (Deficit)	533,464	-	-	533,464
Fund Cash Balances, December 31, 2018	<u>\$ 601,719</u>	<u>\$ 587,279</u>	<u>\$ 1,118</u>	<u>\$ 1,190,116</u>

See notes to financial statements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary</u>	<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 926,687	\$ -	\$ 926,687
Fines, Licenses and Permits	-	2,809	2,809
Miscellaneous	5,983	-	5,983
Total Operating Cash Receipts	<u>932,670</u>	<u>2,809</u>	<u>935,479</u>
Operating Cash Disbursements:			
Personal Services	199,909	-	199,909
Fringe Benefits	97,703	-	97,703
Contractual Services	159,700	-	159,700
Supplies and Materials	94,697	-	94,697
Other	6,202	-	6,202
Total Operating Cash Disbursements	<u>558,211</u>	<u>-</u>	<u>558,211</u>
Operating Income/(Loss)	<u>374,459</u>	<u>2,809</u>	<u>377,268</u>
Non-Operating Cash Receipts (Disbursements):			
Intergovernmental	30,358	-	30,358
Miscellaneous Receipts	2,221	-	2,221
Principal Retirement	(113,205)	-	(113,205)
Interest and Other Fiscal Charges	(81,166)	-	(81,166)
Other Financing Uses	-	(3,084)	(3,084)
Total Non-Operating Cash Disbursements	<u>(161,792)</u>	<u>(3,084)</u>	<u>(164,876)</u>
Net Change In Fund Cash Balance	212,667	(275)	212,392
Fund Cash Balances, January 1, 2018	<u>1,411,889</u>	<u>2,525</u>	<u>1,414,414</u>
Fund Cash Balances, December 31, 2018	<u>\$ 1,624,556</u>	<u>\$ 2,250</u>	<u>\$ 1,626,806</u>

See notes to financial statements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. REPORTING ENTITY

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 directs the Village. The Village provides police protection, parks and recreation, zoning, street maintenance and repairs, water and sewer.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

Governmental Funds

General Fund

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

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Police Levy Fund – This fund accounts for the money received from the levy and also pays for the expenses to run the police department.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Funds

These funds account for and report financial resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the upkeep of the benefactor's family lot in the Village's cemetery.

Enterprise Funds

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

Water Fund – This fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund – This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

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

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 in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

Property, Plant, and Equipment

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

Accumulated Leave

In certain circumstances, such as leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

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

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2018 is as follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 150,200	\$ 199,705	\$ 49,505
Special Revenue	146,750	162,086	15,336
Permanent	2	-	(2)
Enterprise	742,150	965,249	223,099
Total	\$ 1,039,102	\$ 1,327,040	\$ 287,938

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 240,473	\$ 159,003	\$ 81,470
Special Revenue	279,064	152,774	126,290
Enterprise	1,139,052	752,582	386,470
Total	\$ 1,658,589	\$ 1,064,359	\$ 594,230

Contrary to ORC 5705.39, the Swimming Pool Fund had appropriations exceeding estimated revenue.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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:

	2018
Demand Deposits	\$ 2,698,947
Certificate of Deposit	1,000
Total Deposits	2,699,947
Equity Mutual Funds	116,975
Total Deposits and investments	<u>\$2,816,922</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 make semiannual payment, the first half is due by December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the Village contracted with Wichert Insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

The Village's health insurance is handled by Medical Mutual. The cost per employee is based on coverage elected along with several other factors.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

Some of the Village’s full-time employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant’s gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement

The Village’s full-time police officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a 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. OP&F participants, in 2018, contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police officer’s wages. The Village contributed to OP&F an amount equal to 24.0% of certified fire fighter wages. The Village has paid all contributions required through December 31, 2018.

8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits and OP&F contributes 0.5 percent to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2018 was as follows:

	2018 Principal	%
Ohio Water Development Authority Loan #3313	\$ 1,186,792	6.39
Ohio Public Works Commission Loan CR13N	63,176	0.00
Ohio Public Works Commission Loan CR25P	19,250	0.00
Total	\$ 1,269,218	

The Ohio Water Development Authority (OWDA) loan relates to the construction of a waste water treatment plant project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$2,415,000 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$95,896, including interest, over 25 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan #CR13N relates to the loan for the upgrade of the Village's sewer infiltration and inflow system not to exceed \$128,000. The Village will repay the loans in semiannual installments of \$1,289 over 30 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission (OPWC) loan #CR25P relates to the improvements of Village streets not to exceed \$39,637. The Village will repay the loans in semiannual installments of \$664 over 20 years. The Village's taxing authority collateralized the loan.

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

Year Ending December 31	OWDA #3313	OPWC CR13N	OPWC CR25P
2019	\$ 164,120	\$ 2,579	\$ 1,328
2020	166,980	2,579	1,328
2021	170,027	2,579	1,328
2022	173,270	2,579	1,328
2023	176,725	2,579	1,328
2024-2028	553,220	12,893	6,640
2029-2033	-	12,893	5,970
2034-2038	-	12,893	-
2039-2043	-	11,602	-
	<u>\$ 1,404,342</u>	<u>\$ 63,176</u>	<u>\$ 19,250</u>

10. RESTATEMENT OF FUND BALANCE

Fund balance in the General Fund and Special Revenue Fund have been restated for the year beginning January 1, 2018 as voided checks were added back.

	General Fund	Special Revenue
Fund Balance at December 31, 2017	\$ 560,697	\$ 577,942
Adjustments	320	25
Fund Balance at January 1, 2018	<u>\$ 561,017</u>	<u>\$ 577,967</u>

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Thornville
Perry County
P.O. Box 607
Thornville, Ohio 43076

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Thornville, Perry County as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 15, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Village of Thornville's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Thornville's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
May 15, 2020

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Financial Reporting

All local offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Auditor of State (AOS) Bulletin 2000-008 provides guidance on the accounting for cash basis local governments' participation in on-behalf of grants.

The Village received credit enhancement interest payments from the Ohio Water Development Authority (OWDA) which reduced the required interest payments the Village was required to pay on their outstanding loan; however, the credit enhancement interest payments would be considered on-behalf of monies and the Village should have posted these subsidies as revenue/expenditure on the accounting records.

The Village has a mayor's court but did not post this activity to the accounting records, only the change in cash balance was recorded.

We noted the following in 2019:

- Credit Enhancement Interest payments were not posted as memo entries by the Village. Total posted should have been \$27,671 as Intergovernmental Revenue and \$27,671 as Interest and Fiscal Charges in the Sewer Enterprise Fund,
- Receipts totaling \$4,125 and expenditures totaling \$4,001 were recorded in the Mayors' Court Agency Fund.
- A reclassification in the amount of \$6,886 was made to increase Principal Payments and decrease Interest and Other Fiscal Charges to properly show debt paid.

We noted the following in 2018:

- Receipts totaling \$2,809 and expenditures totaling \$3,084 were recorded in the Mayors' Court Agency Fund.

The above adjustments, to which management agrees, are reflected in the accompanying financial statements.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Village's financial position and operations.

Client Response: We have not received an response from the Client.

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**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2019**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Material Weakness Financial Reporting	No	Not Corrected Repeated as Finding 2019-001

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF THORNVILLE

PERRY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 21, 2020**