

**VILLAGE OF CORNING
PERRY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



Mary Taylor, CPA

Auditor of State

Village Council
Village of Corning
P. O. Box 447
Corning, Ohio 43730

We have reviewed the *Independent Accountants' Report* of the Village of Corning, Perry County, prepared by Knox & Knox, for the audit period January 1, 2009 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Corning is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 2, 2010

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VILLAGE OF CORNING
PERRY COUNTY

Table of Contents

| <u>Title</u> | <u>Page</u> |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009..... | 3 |
| Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types - For the Year Ended December 31, 2009..... | 4 |
| Notes to the Financial Statements..... | 5 |
| Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 14 |
| Schedule of Audit Findings..... | 16 |
| Federal Awards Expenditure Schedule..... | 17 |
| Notes to Federal Awards Expenditure Schedule..... | 18 |
| Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133..... | 19 |
| Schedule of Findings OMB Circular A-133§ .505..... | 21 |

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Corning, Perry County, Ohio, (the Village) as of and for the year ended December 31, 2009. 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 Governments 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2009 does 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, 2009, or its changes in financial position or cash flows, where applicable for the year 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 Village of Corning, Perry County, as of December 31, 2009, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

We conducted our audit to opine on the financial statements that collectively comprise the Village's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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 September 27, 2010, 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.

KNOX & KNOX

Orrville, Ohio
September 27, 2010

VILLAGE OF CORNING
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| CASH RECEIPTS: | | | |
| Property Tax and Other Local Taxes | \$41,948 | \$40,145 | \$82,093 |
| Intergovernmental Receipts | 21,207 | 23,169 | 44,376 |
| Charges for Services | | 100,125 | 100,125 |
| Fines, Licenses, and Permits | 1,023 | | 1,023 |
| Earnings on Investments | 1,363 | 326 | 1,689 |
| Miscellaneous | 253 | 550 | 803 |
| Total Cash Receipts | 65,794 | 164,315 | 230,109 |
| CASH DISBURSEMENTS | | | |
| Current: | | | |
| Security of Persons and Property | 17,339 | 118,909 | 136,248 |
| Public Health Services | | 5,090 | 5,090 |
| Leisure Time Activities | 1,698 | | 1,698 |
| Transportation | | 17,858 | 17,858 |
| General Government | 37,646 | | 37,646 |
| Debt Service | | | |
| Redemption of Principal | | 15,948 | 15,948 |
| Interest | | 6,773 | 6,773 |
| Total Cash Disbursements | 56,683 | 164,578 | 221,261 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 9,111 | (263) | 8,848 |
| Cash Fund Balances, January 1 | 76,645 | 177,160 | 253,805 |
| CASH FUND BALANCES, DECEMBER 31 | \$85,756 | \$176,897 | \$262,653 |
| Reserve for Encumbrances, December 31 | \$5,565 | \$1,886 | \$7,451 |

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

VILLAGE OF CORNING
PERRY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

| | Proprietary Fund Types | | Totals |
|---|-------------------------|--------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| OPERATING CASH RECEIPTS: | | | |
| Charges for Services | \$267,896 | | \$267,896 |
| Miscellaneous Receipts | <u>292</u> | | <u>292</u> |
| Total Operating Cash Receipts | <u>268,188</u> | | <u>268,188</u> |
| OPERATING CASH DISBURSEMENTS:: | | | |
| Personal Services | 39,319 | | 39,319 |
| Employee Fringe Benefits | 5,843 | | 5,843 |
| Contractual Services | 4,364,520 | | 4,364,520 |
| Supplies and Materials | <u>9,833</u> | | <u>9,833</u> |
| Total Operating Cash Disbursements | <u>4,419,515</u> | | <u>4,419,515</u> |
| Operating Income/(Loss) | <u>(4,151,327)</u> | | <u>(4,151,327)</u> |
| NON-OPERATING CASH RECEIPTS | | | |
| Intergovernmental Receipts | 3,794,612 | | 3,794,612 |
| Earnings on Investments | 551 | | 551 |
| Other Financing Sources | <u>350,482</u> | | <u>350,482</u> |
| Total Non-Operating Cash Receipts | 4,145,645 | | 4,145,645 |
| NON-OPERATING CASH DISBURSEMENTS | | | |
| Debt Service | | | |
| Redemption of Principal | 15,800 | | 15,800 |
| Interest and Other Fiscal Charges | <u>492</u> | | <u>492</u> |
| Total Non-Operating Cash Disbursements | <u>16,292</u> | | <u>16,292</u> |
| Net Receipts Over/(Under) Disbursements | (21,974) | | (21,974) |
| Fund Cash Balances, January 1 | <u>172,192</u> | <u>\$68</u> | <u>172,260</u> |
| FUND CASH BALANCES, DECEMBER 31 | <u><u>\$150,218</u></u> | <u><u>\$68</u></u> | <u><u>\$150,286</u></u> |
| Reserve for Encumbrances, December 31 | <u>\$108,504</u> | | <u>\$108,504</u> |

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

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 Corning, Perry County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, water and sewer utilities, park operations, cemetery maintenance, maintenance of Village streets and highways, fire services, emergency medical services and police services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool: Ohio Government Risk Management Pool is a non-assessable, unincorporated, non-profit association providing a formalized self-insurance risk management program.

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. **DEPOSITS AND INVESTMENTS**

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

D. **FUND ACCOUNTING**

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

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

D. **FUND ACCOUNTING** (continued)

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.

State Highway Fund - This fund receives gasoline tax money for maintaining and repairing state highways within the Village.

Cemetery Fund - This fund money from the selling of cemetery lots and the opening and closing of graves for general maintenance and operation of the cemetery.

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

Fire Levy Fund - This fund is used to account for property tax monies to provide fire protection.

3. **Enterprise Funds**

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

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

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

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

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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

D. **FUND ACCOUNTING** (continued)

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds include:

Mayor's Court Fund - This agency fund accounts for and reports the financial activity of the Mayor's Court of the Village.

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

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund 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 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.

A summary of 2009 budgetary activity appears in Note 3.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH

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

| | |
|-----------------|-------------------------|
| | <u>2009</u> |
| Demand deposits | <u><u>\$412,938</u></u> |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2009, follows:

| <u>Fund Type</u> | <u>2009 Budgeted vs. Actual Receipts</u> | | |
|------------------|--|----------------------------|---------------------------|
| | <u>Budgeted Receipts</u> | <u>Actual Receipts</u> | <u>Variance</u> |
| General | \$75,517 | \$65,794 | (\$9,723) |
| Special Revenue | 155,480 | 164,315 | 8,835 |
| Enterprise | <u>2,728,000</u> | <u>4,413,833</u> | <u>1,685,833</u> |
| Total | <u><u>\$2,958,997</u></u> | <u><u>\$4,643,942</u></u> | <u><u>\$1,684,945</u></u> |

| <u>Fund Type</u> | <u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u> | | |
|------------------|---|-----------------------------------|-------------------------|
| | <u>Appropriation Authority</u> | <u>Budgetary Expenditures</u> | <u>Variance</u> |
| General | \$76,777 | \$62,248 | \$14,529 |
| Special Revenue | 194,445 | 166,464 | 27,981 |
| Enterprise | <u>5,191,673</u> | <u>4,544,311</u> | <u>647,362</u> |
| Total | <u><u>\$5,462,895</u></u> | <u><u>\$4,773,023</u></u> | <u><u>\$689,872</u></u> |

Contrary to the Ohio Revised Code, appropriations exceeded estimated resources in the Sewer Fund.

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

4. **PROPERTY TAX**

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

5. **DEBT**

Debt outstanding at December 31, 2009 was as follows:

| General Obligation Notes | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| Loan No. 38811 | 3,355 | 5.25% |
| Loan No. 127036 | 107,892 | 5.25% |
| Loan No. OPC CR 451 | 25,613 | |
| Loan No. OPC CR 618 | 14,628 | |
| Loan No. OPC CT 869 | 9,708 | |
| Loan No. OPC CT 78C | 95,290 | |
| Loan No. OPC CT 601 | <u>360,000</u> | |
| Total | <u>\$616,486</u> | |

Loan Number 38811 is for an amount needed to complete the new water tower.

Loan Number 127036 is for a fire truck.

Loan Number OPWC CR451 is for the water distribution system replacement.

Loan Number OPWC CR 618 is for a water line replacement.

Loan Number OPWC CT 869 is for a water line replacement (Phase IV).

Loan Number OPWC CT 78C is for water line improvements (Phase V).

Loan Number OPWC CT 601 is for a waste water treatment and collection system.

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

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

5. DEBT (continued)

| Year Ending December 31 | Loan No. 38811 | | |
|----------------------------|----------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | <u>\$3,422</u> | <u>\$3,355</u> | <u>\$67</u> |
| Total | <u>\$3,422</u> | <u>\$3,355</u> | <u>\$67</u> |

| Year Ending December 31 | Loan No. 127036 | | |
|----------------------------|------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$12,140 | \$5,936 | \$6,204 |
| 2011 | 12,140 | 6,287 | 5,853 |
| 2012 | 98,465 | 95,669 | 2,796 |
| Total | <u>\$122,745</u> | <u>\$107,892</u> | <u>\$14,853</u> |

| Year Ending December 31 | Loan No. OPWC CR 451 | | |
|----------------------------|----------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$6,403 | \$6,403 | |
| 2011 | 6,403 | 6,403 | |
| 2012 | 6,403 | 6,403 | |
| 2013 | 6,403 | 6,403 | |
| Total | <u>\$25,612</u> | <u>\$25,612</u> | |

| Year Ending December 31 | Loan No. OPWC CR 618 | | |
|----------------------------|----------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$3,251 | \$3,251 | |
| 2011 | 3,251 | 3,251 | |
| 2012 | 3,251 | 3,251 | |
| 2013 | 3,251 | 3,251 | |
| 2014 | 1,624 | 1,624 | |
| Total | <u>\$14,628</u> | <u>\$14,628</u> | |

| Year Ending December 31 | Loan No. OPWC CR 869 | | |
|----------------------------|----------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$1,618 | \$1,618 | |
| 2011 | 1,618 | 1,618 | |
| 2012 | 1,618 | 1,618 | |
| 2013 | 1,618 | 1,618 | |
| 2014 | 1,618 | 1,618 | |
| 2015 | 1,618 | 1,618 | |
| Total | <u>\$9,708</u> | <u>\$9,708</u> | |

| Year Ending December 31 | Loan No. OPWC CT 78C | | |
|----------------------------|----------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$7,623 | \$7,623 | |
| 2011 | 7,623 | 7,623 | |
| 2012 | 7,623 | 7,623 | |
| 2013 | 7,623 | 7,623 | |
| 2014 | 7,623 | 7,623 | |
| 2015-2019 | 38,115 | 38,115 | |
| 2120-2022 | 19,060 | 19,060 | |
| Total | <u>\$95,290</u> | <u>\$95,290</u> | |

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

5. **DEBT** (continued)

| Year Ending December 31 | <u>Loan No. OPWC CT 78C</u> | | |
|----------------------------|-----------------------------|------------------|-----------------|
| | <u>Payment</u> | <u>Principal</u> | <u>Interest</u> |
| 2010 | \$18,000 | \$18,000 | |
| 2011 | 18,000 | 18,000 | |
| 2012 | 18,000 | 18,000 | |
| 2013 | 18,000 | 18,000 | |
| 2014 | 18,000 | 18,000 | |
| 2015-2019 | 90,000 | 90,000 | |
| 2020-2024 | 90,000 | 90,000 | |
| 2025-2029 | 90,000 | 90,000 | |
| Total | <u>\$360,000</u> | <u>\$360,000</u> | |

6. **RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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. For 2009, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. **RISK MANAGEMENT**

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles; and
- Errors and omissions

Risk Pool Membership

The Village is a member of the Ohio Government Risk Management Plan (the Plan) a non-assessable, unincorporated non-profit association providing a formalized, jointly administrative self-insurance risk management program and other administrative services to over 550 Ohio governments. The Plan assumes the risk of loss up to the limits of the Village's policy.

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

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

7. **RISK MANAGEMENT** (continued)

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) .

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the

Settlement amounts did not exceed insurance coverage for the past three fiscal years:

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

| | 2007 | 2008 | 2009 |
|-----------------------|--------------|-------------|-------------|
| Cash and Investment | \$11,136,455 | \$9,709,000 | 11,176,000 |
| Actuarial liabilities | (4,273,553) | (4,612,000) | (4,852,000) |
| Members' equity | \$6,862,902 | \$5,097,000 | 6,324,000 |

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KNOX & KNOX

Accountants and Consultants

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Corning , Perry County. (the Village) as of and for the years ended December 31, 2009 and have issued our report thereon dated September 27, 2010, wherein we noted that the Village prepared its financial statements using accounting principles the Auditor of State prescribes or permits 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 Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Government's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Government's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 one instance of

Village of Corning
Perry County
Independent Accountants' Report on Internal Control
Over Financial Reporting and Other Matters
Required by Government Auditing Standards
Page 2

noncompliance or other matters we must report under *Government Auditing Standards* and is shown as Finding 2009-01 in the accompanying schedule..

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 27, 2010.

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

KNOX & KNOX

Orrville, Ohio
September 27, 2010

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2009

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

FINDING NUMBER 2009-01

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources. Village appropriations exceeded estimated resources in the following instance at December 31:

| <u>Fund Type</u> | <u>Appropriation</u> | <u>Estimated Resources</u> | <u>Variance</u> |
|------------------|----------------------|--------------------------------|-----------------|
| Enterprise | \$5,191,673 | \$2,878,218 | (\$2,313,455) |

Client Response: None

VILLAGE OF CORNING
PERRY COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

| FEDERAL GRANTOR Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|---|-------------------------------|---------------------------|--------------------|
| DEPARTMENT OF AGRICULTURE Water and Waste Disposal Systems for Rural Communities | | 10.760 | \$3,756,813 |
| HOUSING AND URBAN DEVELOPMENT Pass through-Ohio Department of Development Community Development Black Grant | C-W-07-210-1 | 14.228 | 312,400 |
| Total Federal Awards Expenditures | | | <u>\$4,069,213</u> |

The accompanying notes are an integral part of this schedule.

VILLAGE OF CORNING
PERRY COUNTY

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the Village's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

2. MATCHING REQUIREMENTS

Certain federal programs require that the Village contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.

KNOX & KNOX

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

COMPLIANCE

We have audited the compliance of the Village of Corning, Perry County, Ohio (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2009. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Village's compliance with those requirements.

In our opinion, the Village of Corning, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2009.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Village of Corning is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

Village of Corning
Perry County
Independent Accountants' Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2

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 combination of internal control deficiencies, resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

The Village's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Orrville, Ohio
September 27, 2010

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR YEAR ENDED DECEMBER 31, 2009

1. SUMMARY OF AUDITORS' RESULTS

| | | |
|--------------|---|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Regulatory- Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .501 | No |
| (d)(1)(vi) | Major Programs (list): | U.S. Dept. of Agriculture CFDA # 10.760 Housing & Urban Development CFDA# 14.228 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: >\$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

Finding 2009-01

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF CORNING

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 14, 2010**