

***VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2002 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Village Council
Village of Thornville
3 South Main Street
Thornville, Ohio 43076

We have reviewed the Independent Auditor's Report of the Village of Thornville, Perry County, prepared by Charles E. Harris and Associates, Inc., for the audit period January 1, 2002 to December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 22, 2004

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**VILLAGE OF THORNVILLE
PERRY COUNTY
Audit For Years Ending December 31, 2003 and 2002**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Thornville
Thornville, Ohio

We have audited the accompanying financial statements of the Village of Thornville (the Village), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and fund cash balances of the Village, as of December 31, 2003 and 2002, and the combined receipts, disbursements, and changes in fund cash balances, its combined statement of receipts-budget and actual and combined statement of disbursements and encumbrances compared with expenditure authority for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
September 29, 2004

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF CASH, INVESTMENTS AND
FUND CASH BALANCES - ALL TYPES
December 31, 2002 and 2003

	<u>2002</u> <u>Balances</u>	<u>2003</u> <u>Balances</u>
Cash and Cash Equivalents	\$ 914,531	\$ 798,500
	<u>914,531</u>	<u>798,500</u>
	<u>914,531</u>	<u>798,500</u>

Cash Balances by Fund Class

Governmental Fund Types:		
General Fund	\$ 92,019	\$ 43,172
Special Revenue Funds	58,562	90,254
Proprietary Fund:		
Enterprise Funds	721,112	621,825
Fiduciary Funds:		
Expendable Trust Fund	39,854	39,854
Non Expendable Trust Fund	2,510	2,579
Agency Fund	474	816
Totals	<u>\$ 914,531</u>	<u>\$ 798,500</u>
	<u>\$ 914,531</u>	<u>\$ 798,500</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES and SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2002

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>Total</u>
Receipts:					
Property Tax and Other Local Taxes	\$ 57,513	\$ 41,533	-	-	\$ 99,046
Charges for Services	8,395	9,693	-	-	18,088
Intergovernmental	9,995	53,373	-	-	63,368
Interest	11,754	1,278	-	-	13,032
Other	8,356	-	-	-	8,356
Total Receipts	<u>96,013</u>	<u>105,877</u>	<u>-</u>	<u>-</u>	<u>201,890</u>
Disbursements:					
General Government	130,562	900	-	-	131,462
Security of Persons & Property	2,677	80,854	-	-	83,531
Community Environment	1,397	-	-	-	1,397
Basic Utilities	3,783	-	-	-	3,783
Transportation	845	32,012	-	-	32,857
Leisure time Activities	-	6,489	-	-	6,489
Capital Outlay	-	-	\$ 646,886	-	646,886
Total Disbursements	<u>139,264</u>	<u>120,255</u>	<u>646,886</u>	<u>-</u>	<u>906,405</u>
Receipts over(under) disbursements	<u>(43,251)</u>	<u>(14,378)</u>	<u>(646,886)</u>	<u>-</u>	<u>(704,515)</u>
Other Financing Sources (Uses)					
Proceeds of Bond Issue	-	-	646,886	-	646,886
Other financing uses	(158)	-	-	-	(158)
Transfers out	(2,653)	-	-	-	(2,653)
Total Other Financing Sources (Uses)	<u>(2,811)</u>	<u>-</u>	<u>646,886</u>	<u>-</u>	<u>644,075</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(46,062)	(14,378)	-	-	(60,440)
Fund Balance 1/1/2002	138,081	72,940	-	\$ 39,854	250,875
Fund Balance 12/31/2002	<u>\$ 92,019</u>	<u>\$ 58,562</u>	<u>\$ -</u>	<u>\$ 39,854</u>	<u>190,435</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2002

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Total</u>
Operating Cash Receipts:				
Charges for Services	\$ 400,151	-	-	\$ 400,151
Total Operating Cash Receipts	<u>400,151</u>	<u>-</u>	<u>-</u>	<u>400,151</u>
Operating Cash Disbursements:				
Personal Services	107,317	-	-	107,317
Contractual Services	86,525	-	-	86,525
Supplies and Materials	48,793	-	-	48,793
Total Operating Cash Disbursements	<u>242,635</u>	<u>-</u>	<u>-</u>	<u>242,635</u>
Operating Income/(Loss)	157,516	-	-	157,516
Non-Operating Cash Receipts				
Earnings on Investment	522	\$ 142	-	664
Other Non-Operating Receipts	56,307	-	\$ 8,335	64,642
Total Non-Operating Cash Receipts	<u>56,829</u>	<u>142</u>	<u>8,335</u>	<u>65,306</u>
Non-Operating Cash Disbursements				
Debt Service:				
Principal	36,873	-	-	36,873
Interest	154,918	-	-	154,918
Other Non-Operating Disbursements	-	-	8,300	8,300
Total Non-Operating Disbursements	<u>191,791</u>	<u>-</u>	<u>8,300</u>	<u>200,091</u>
Excess Receipts Over/(Under) Disbursements before interfund transfers	22,554	142	35	22,731
Transfers in	<u>2,653</u>	<u>-</u>	<u>-</u>	<u>2,653</u>
Net Receipts Over/(Under) Disbursements	25,207	142	35	25,384
Fund Cash Balance 1/1/2002	695,905	2,368	439	698,712
Fund Cash Balance 12/31/2002	<u>\$ 721,112</u>	<u>\$ 2,510</u>	<u>\$ 474</u>	<u>\$ 724,096</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2002

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable/</u> <u>(Unfavorable)</u>
Fund Types/Funds:			
Governmental:			
General Fund	\$ 83,545	\$ 96,013	\$ 12,468
Special Revenue Funds	125,030	105,877	(19,153)
Capital Projects Fund	-	646,886	646,886
Proprietary Fund:			
Enterprise Funds	195,000	456,980	261,980
Fiduciary Fund:			
Non-Expendable Trust Fund	142	142	-
Total (Memorandum Only)	<u>\$ 403,717</u>	<u>\$ 1,305,898</u>	<u>\$ 902,181</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2002

<u>Fund Types/Fund</u>	<u>Carryover Appropriation</u>	<u>Year Ending 2002 Appropriation</u>	<u>Total</u>	<u>Actual 2002 Expenditures</u>	<u>Encumbrances as of 12/31/2002</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ -	\$ 191,009	\$ 191,009	\$ 142,075	\$ 118	\$ 142,193	\$ 48,816
Special Revenue Funds	-	196,608	196,608	120,255	-	\$ 120,255	76,353
Capital Projects	-	-	-	646,886	-	\$ 646,886	(646,886)
Debt Service Fund	-	9,000	9,000	-	-	-	9,000
Proprietary Funds:							
Enterprise Funds		788,141	788,141	434,426	-	434,426	353,715
Total (Memorandum Only)	<u>\$ -</u>	<u>\$ 1,184,758</u>	<u>\$ 1,184,758</u>	<u>\$ 1,343,642</u>	<u>\$ 118</u>	<u>\$ 1,343,760</u>	<u>\$ (159,002)</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	<u>Total</u>
Receipts:				
Property Tax and Other Local Taxes	\$ 58,901	\$ 41,755	-	\$ 100,656
Charges for Services	16,065	5,550	-	21,615
Intergovernmental	12,854	60,217	-	73,071
Interest	5,475	616	-	6,091
Other	3,267	46,275	-	49,541
Total Receipts	<u>96,563</u>	<u>154,411</u>	<u>-</u>	<u>250,974</u>
Disbursements:				
General Government	133,968	470	-	134,438
Security of Persons & Property	5,632	51,000	-	56,632
Community Environment	3,123	-	-	3,123
Basic Utilities	1,633	-	-	1,633
Transportation	857	64,689	-	65,546
Leisure time Activities	-	6,560	-	6,560
Total Disbursements	<u>145,213</u>	<u>122,719</u>	<u>-</u>	<u>267,932</u>
Receipts over(under) disbursements	<u>(48,650)</u>	<u>31,692</u>	<u>-</u>	<u>(16,958)</u>
Other Financing Sources (Uses)				
Other financing uses	197	-	-	197
Total Other Financing Sources (Uses)	<u>197</u>	<u>-</u>	<u>-</u>	<u>197</u>
Total Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>(48,847)</u>	<u>31,692</u>	<u>-</u>	<u>(17,155)</u>
Fund Balance 1/1/2003	92,019	58,562	\$ 39,854	190,435
Fund Balance 12/31/2003	<u><u>\$ 43,172</u></u>	<u><u>\$ 90,254</u></u>	<u><u>\$ 39,854</u></u>	<u><u>\$ 173,280</u></u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	<u>Agency</u>	<u>Total</u>
Operating Cash Receipts:				
Charges for Services	\$ 442,155	-	-	\$ 442,155
Total Operating Cash Receipts	<u>442,155</u>	<u>-</u>	<u>-</u>	<u>442,155</u>
Operating Cash Disbursements:				
Personal Services	119,872	-	-	119,872
Contractual Services	215,468	-	-	215,468
Supplies and Materials	124,056	-	-	124,056
Total Operating Cash Disbursements	<u>459,396</u>	<u>-</u>	<u>-</u>	<u>459,396</u>
Operating Income/(Loss)	<u>(17,241)</u>	<u>-</u>	<u>-</u>	<u>(17,241)</u>
Non-Operating Cash Receipts				
Earnings on Investment	-	\$ 69	-	69
Other Non-Operating Receipts	13,850	-	\$ 10,611	24,461
Total Non-Operating Cash Receipts	<u>13,850</u>	<u>69</u>	<u>10,611</u>	<u>24,530</u>
Non-Operating Cash Disbursements				
Other Non-Operating Disbursements	-	-	10,269	10,269
Debt Service:				
Principal	21,193	-	-	21,193
Interest	74,703	-	-	74,703
Total Non-Operating Disbursements	<u>95,896</u>	<u>-</u>	<u>10,269</u>	<u>106,165</u>
Excess Receipts Over/(Under) Disbursements before interfund transfers	<u>(99,287)</u>	<u>69</u>	<u>342</u>	<u>(98,876)</u>
Net Receipts Over/(Under) Disbursements	(99,287)	69	342	(98,876)
Fund Cash Balance 1/1/2003	721,112	2,510	474	724,096
Fund Cash Balance 12/31/2003	<u>\$ 621,825</u>	<u>\$ 2,579</u>	<u>\$ 816</u>	<u>\$ 625,220</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
Fund Types/Funds:			
Governmental:			
General Fund	\$ 75,243	\$ 96,760	\$ 21,517
Special Revenue Funds	120,590	154,411	33,821
Proprietary Fund:			
Enterprise Funds	214,000	456,005	242,005
Fiduciary Fund:			
Non-Expendable Trust Fund	69	69	-
Total (Memorandum Only)	<u>\$ 409,902</u>	<u>\$ 707,245</u>	<u>\$ 297,343</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
For the Year Ended December 31, 2003

<u>Fund Types/Fund</u>	<u>Carryover Appropriation</u>	<u>Year Ending 2003 Appropriation</u>	<u>Total</u>	<u>Actual 2003 Expenditures</u>	<u>Encumbrances as of 12/31/2003</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
Governmental Funds:							
General Fund	\$ 118	\$ 175,713	\$ 175,831	\$ 145,213	\$ -	\$ 145,213	\$ 30,618
Special Revenue Funds	-	141,800	141,800	122,719	-	122,719	19,081
Proprietary Fund:							
Enterprise Funds	1,659	675,634	677,293	555,292	-	555,292	122,001
Total (Memorandum Only)	<u>\$ 1,777</u>	<u>\$ 993,147</u>	<u>\$ 994,924</u>	<u>\$ 823,224</u>	<u>\$ -</u>	<u>\$ 823,224</u>	<u>\$ 171,700</u>

See accompanying Notes to the Financial Statements.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Thornville, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including sewer, electric utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. INVESTMENTS AND INACTIVE FUNDS

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and mutual funds are valued at cost or fair value when donated. Money market mutual funds (including STAROhio) are recorded at share values reported by the mutual fund.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance & Repair
- State Highway Improvement
- Recreation
- Police Levy
- Mayor's Court Computer Fund

Proprietary Fund Types:

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

- Water Fund
- Sewer Fund
- Swimming Pool Fund

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

D. FUND ACCOUNTING (continued)

Fiduciary Funds (Trust and Agency Funds) Trust funds are used account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following Fiduciary Funds:

- Cemetery Bequest Fund
- Leatherman Estate Fund
- Agency Fund

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

E. BUDGETARY PROCESS (continued)

statements reflect the amounts in the final amended certificates issued during 2002 and 2003.

Budget receipts, as shown in the accompanying financial statements, do not include the unencumbered fund balances as of January 1, 2002 and 2003. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

**VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 92,438	\$215,429
Cash on hand	-0-	367
STAROhio	666,208	658,881
Mutual Funds (at cost, fair value at December 31, 2003 and 2002 was \$51,422 and \$45,180)	<u>39,854</u>	<u>39,854</u>
Total deposits and investments	<u>\$798,500</u>	<u>\$914,531</u>

At December 31, 2003 and 2002, the Village held \$39,854 in mutual funds bequeathed to the Village through an estate.

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

Investments: Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

3. PROPERTY TAX (continued)

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as Intergovernmental Receipts.

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

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Perry County Treasurer collects property tax on behalf of all taxing Villages within the county. The Perry County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. DEFINED BENEFIT PENSION PLAN

The Ohio Public Employees Retirement System (OPERS) is a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. For local government employer units the rate was 13.55% of covered payroll. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>2003</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan # 3313	\$2,316,930	6.39%
Ohio Water Development Authority Loan # 3802	26,491	5.40%
Mortgage Revenue Bonds	<u>11,000</u>	4.75%
Total	<u>\$2,354,421</u>	

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

<u>Year-Ending December 31:</u>	<u>OWDA</u>	<u>Mortgage Revenue Bonds</u>
2004	\$191,791	\$11,261
2005	191,791	-0-
2006	191,791	-0-
2007	191,791	-0-
2008	191,791	-0-
2009-2013	958,056	-0-
2014-2018	958,956	-0-
2019-2023	958,956	-0-
2024-2027	<u>767,164</u>	<u>-0-</u>
Total	<u>\$4,602,987</u>	<u>\$11,261</u>

OWDA has not prepared an amortization schedule for Loan # 3802.

The proceeds of OWDA loan #3313 were used to construct a wastewater treatment plant. This loan is being repaid from user fees.

The proceeds of loan #3802 were used for water planning and design. This loan will be repaid from user fees.

The proceeds of the Mortgage Revenue Bonds were used for sewer construction. These bonds are being repaid from user fees.

VILLAGE OF THORNVILLE
PERRY COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2002 and 2003

6. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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 Plans pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.

7. DEBT SERVICE TRUSTEED FUNDS

The Mortgage Sewer Revenue Bond agreement required the Village to establish a debt service fund and make periodic payments from this fund to a trustee. The Village has established this fund. At December 31, 2003, the custodian held Village assets with an approximate market value of \$13,251. These assets, and related receipts and disbursements, are not reflected in the accompanying financial statements. No further payments are required to be made to the trustee from the Village. The bonds have a scheduled final maturity date of April 1, 2004.

8. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

9. COMPLIANCE

During the years ended December 31, 2002 and 2003, the Village had numerous funds that had expenditures plus encumbrances exceeding the appropriations plus carryover balances.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

The Honorable Mayor and Members
of Village Council
Village of Thornville
Thornville, Ohio

We have audited the financial statements of the Village of Thornville (Village) as of and for the years ended December 31, 2002 and 2003, and have issued our report thereon dated September 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting, that in our judgment, could adversely affect the Village of Thornville's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings, as item number 2003-VTPC-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Thornville, Ohio in a separate letter dated September 29, 2004.

Village of Thornville
Perry County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance on which those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item number 2003-VTPC-001. We also noted certain additional matters that we reported to management of the Village in a separate letter dated September 29, 2004.

This report is intended solely for the information and use of the management, and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris and Associates, Inc.
September 29, 2004

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 and 2003**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS</p>
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FINDING NUMBER 2003-VTPC-001

Noncompliance Citation

Ohio Rev. Code § 5705.41 (B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2000, the Village was awarded an Ohio Water Development Authority (OWDA) loan for the purpose of constructing a wastewater treatment plant. The project was administered by OWDA and the financial activity during 2002 was not recorded on the Village's books. As a result, expenditures of \$646,886 were made on the Village's behalf but were not appropriated.

During 2002, expenditures exceeded appropriations in the following funds, the Recreation Fund by \$1,215 and the Police Levy Fund by \$13,665. During 2003, expenditures exceeded appropriations in the following funds, Street Construction, Maintenance & Repair by \$4,876 and the Recreation Fund by \$60.

We recommend that all financial activity be properly budgeted for. Expenditures should not be made unless appropriated.

This finding is also included in the Schedule of Findings in the December 31, 2001 and 2000 report.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 and 2003**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE GAGAS (Continued)</p>
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FINDING NUMBER 2003-VTPC-002

Material Weakness

The Village applied for and received loans through the Ohio Water Development Authority (OWDA) for a wastewater treatment plant. The project was administered by OWDA and the financial activity during 2002 was not recorded on the Village's books. As a result, expenditures of \$646,886 were made on the Village's behalf but were not appropriated. Construction was completed during 2002. Loan proceeds received by the Village during 2002 and related expenditures made on the Village's behalf by OWDA were not recorded on the Village's books.

As a result, the financial activity of the Village was understated for 2002.

The Village understated receipts, during 2002, by \$646,886 and also understated disbursements by \$646,886. The accompanying financial statements have been adjusted to reflect correct amounts.

We recommend the Village account for each project in a separate fund and record all transactions made on behalf of the Village in each fund. The Village should refer to Auditor of State Bulletin 2000-08 for additional guidance in accounting for these projects.

This finding is also included in the Schedule of Findings in the December 31, 2001 and 2000 report.

**VILLAGE OF THORNVILLE
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2001-31064-001	Village did not certify the availability of funds before contracting to procure goods and services.	YES	Village Clerk certifies the availability of funds for all purchases.
2001-31064-002	Expenditures exceeded appropriations. Also the OWDA expenditures on the Village's behalf were not appropriated.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2003-VTPC-001
2001-31064-003	The Village did not record OWDA activity on its books.	NO	Not Corrected: This is repeated in the Schedule of Findings as item 2003-VTPC-002



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VILLAGE OF THORNVILLE

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 7, 2004**