



**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 21, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Mount Cory, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Mount Cory, Hancock County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2009, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 21, 2009

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$4,743		\$4,743
Intergovernmental	55,697	\$12,522	68,219
Charges for Services	2,342		2,342
Earnings on Investments	6,953		6,953
Miscellaneous	13		13
	<hr/>		<hr/>
Total Cash Receipts	69,748	12,522	82,270
	<hr/>		<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	13,130	6,519	19,649
Public Health Services	878		878
Leisure Time Activities	15,508		15,508
Basic Utility Service	2,138		2,138
Transportation	3,752	18,826	22,578
General Government	26,602		26,602
	<hr/>		<hr/>
Total Cash Disbursements	62,008	25,345	87,353
	<hr/>		<hr/>
Total Receipts Over/(Under) Disbursements	7,740	(12,823)	(5,083)
	<hr/>		<hr/>
Fund Cash Balances, January 1	10,476	88,168	98,644
	<hr/>		<hr/>
Fund Cash Balances, December 31	<u>\$18,216</u>	<u>\$75,345</u>	<u>\$93,561</u>

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$53,943
Operating Cash Disbursements:	
Personal Services	5,080
Contractual Services	7,590
Total Operating Cash Disbursements	12,670
Operating Income	41,273
Non-Operating Cash Disbursements:	
Capital Outlay	5,977
Redemption of Principal	10,374
Interest and Other Fiscal Charges	28,646
Total Non-Operating Cash Disbursements	44,997
Net Receipts Under Disbursements	(3,724)
Fund Cash Balances, January 1	233,209
Fund Cash Balances, December 31	\$229,485

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$5,238	\$23,500	\$28,738
Intergovernmental	50,702	12,200	62,902
Special Assessments		374	374
Charges for Services	2,140		2,140
Earnings on Investments	12,578		12,578
Miscellaneous	105		105
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	70,763	36,074	106,837
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	19,397	6,013	25,410
Public Health Services	436		436
Leisure Time Activities	13,715		13,715
Basic Utility Service	5,552		5,552
Transportation	3,562	30,496	34,058
General Government	28,299	19	28,318
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	70,961	36,528	107,489
	<hr/>	<hr/>	<hr/>
Total Receipts Under Disbursements	(198)	(454)	(652)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	10,674	88,622	99,296
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$10,476</u>	<u>\$88,168</u>	<u>\$98,644</u>

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$59,793
Operating Cash Disbursements:	
Personal Services	2,903
Contractual Services	16,429
Total Operating Cash Disbursements	19,332
Operating Income	40,461
Non-Operating Cash Disbursements:	
Capital Outlay	3,123
Redemption of Principal	4,419
Interest and Other Fiscal Charges	28,701
Total Non-Operating Cash Disbursements	36,243
Net Receipts Over Disbursements	4,218
Fund Cash Balances, January 1	228,991
Fund Cash Balances, December 31	\$233,209

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Permissive Tax Fund - This fund receives permissive motor vehicle tax money for constructing, maintaining, and repairing Village streets.

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

3. Enterprise Funds

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

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

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Equity in Pooled Deposits – (Continued)

	2008	2007
Demand deposits	\$323,046	\$331,853

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,396	\$69,748	\$3,352
Special Revenue	9,850	12,522	2,672
Enterprise	53,000	53,943	943
Total	\$129,246	\$136,213	\$6,967

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$65,901	\$62,008	\$3,893
Special Revenue	121,518	25,345	96,173
Enterprise	264,583	57,667	206,916
Total	\$452,002	\$145,020	\$306,982

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,139	\$70,763	\$11,624
Special Revenue	17,650	36,074	18,424
Enterprise	53,000	59,793	6,793
Total	\$129,789	\$166,630	\$36,841

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,058	\$70,961	\$6,097
Special Revenue	126,256	36,528	89,728
Enterprise	274,724	55,575	219,149
Total	\$478,038	\$163,064	\$314,974

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$529,100	4.25%
USDA/Rural Development Loan	115,487	4.50%
Ohio Public Works Commission Loan	46,248	
Total	<u>\$690,835</u>	

Mortgage Revenue Bonds were issued to finance the sewer system project the Ohio Environmental Protection Agency mandated. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2008 is \$26,535.

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

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt – (Continued)

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

Year ending December 31:	Mortgage Revenue Bonds	USDA/Rural Development Loan	Ohio Public Works Commission Loan
2009	\$28,587	\$7,193	\$3,189
2010	28,627	7,193	3,190
2011	28,655	7,193	3,189
2012	28,671	7,193	3,190
2013	28,573	7,193	3,189
2014-2018	143,175	35,965	15,948
2019-2023	143,059	35,965	14,353
2024-2028	143,050	35,965	
2029-2033	143,138	35,965	
2034-2038	143,160	35,965	
2039-2043	143,086	35,965	
2044-2045	57,255	7,044	
Total	<u>\$1,059,036</u>	<u>\$258,799</u>	<u>\$46,248</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 rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Vehicles.

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Intergovernmental Agreement

The Village has entered into an intergovernmental agreement with the Villages of Rawson and Benton Ridge to pay back Mortgage Revenue Bonds for \$118,000 for the construction of a wastewater treatment facility. The facility has been built and is owned by the Village of Rawson. The facility will be leased to the Villages of Benton Ridge and Mount Cory for a minimum of 40 years. The facility was built based on the aggregated population of the three villages, and the cost is shared in proportion to their populations. The Village of Mount Cory's share of the debt is 23% of bond with an interest rate of 4.5%. Each Village will have a representative on the management Board of the facility.



Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Mount Cory, Hancock County, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 21, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider findings 2008-001 and 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

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

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 21, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 21, 2009.

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



Mary Taylor, CPA
Auditor of State

September 21, 2009

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation and Material Weakness

Ohio Revised Code § 5705.10(D) states that all revenue derived from a general levy for current expense shall be paid into the general fund and provides, in part, that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received. Additionally, **Ohio Revised Code § 135.21** requires interest earned to be credited to the general fund unless otherwise expressly required by law.

During our testing the following transactions were found to be posted to the incorrect fund:

- In 2007, \$23,500 of permissive tax receipts for the Permissive Tax fund was posted to the Street Construction, Maintenance and Repair fund.
- In 2008, General fund real estate taxes in the amount of \$121 were posted to the Street Lighting Fund.
- In 2007 and 2008, interest earnings were improperly posted the Sewer fund in the amounts of \$10,248 and \$5,454, respectively.

The accompanying financial statements and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

In addition to the incorrect fund postings mentioned above we encountered the following transactions that required reclassification and the accompanying financial statements reflect these amounts:

- In 2007 and 2008, intergovernmental revenues were posted as taxes, special assessments, miscellaneous, and fines, licenses and permits in the General and Special Revenue funds in amounts ranging from \$63 to \$11,583.
- In 2007, charges for services in the Enterprise fund in the amount of \$59,793 were posted as earnings on investments and in 2008 as miscellaneous revenue in the amount of \$53,943.
- Road maintenance work was posted as security of persons and property in the amount of \$6,600 in 2007 and as community environment in the amount \$18,570 in 2008.
- Debt principal and interest payments were posted as capital outlay in the amounts of \$33,120 and \$39,020 in 2007 and 2008, respectively.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

For all the transactions tested, prior certification was not obtained nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, we recommend all Village non-payroll disbursements receive prior certification of the fiscal officer. When that is not possible, a Then and Now Certificate should be executed.

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

FINDING NUMBER 2008-003

Monitoring Financial Activity - Material Weakness

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies over monitoring of financial activity were encountered:

- Throughout the audit period the Village's book balance was not reconciled to the bank balance. The reconciliation performed consisted of comparing checkbook stubs to the Budget History Report and deposit slips to the Revenue History Report.

During the reconciliation of the Village's book balance to the bank balance we found a 2007 bank deposit not posted to the books until 2008 in the amount of \$630. In 2008 checks were voided and not added back to the book balance in the amount of \$394; receipts of \$332 and expenses of \$90 were not posted to the books. These items required adjustment and are reflected in the accompanying financial statements and Village's accounting records.

- The receipts ledger did not reflect estimated receipts in the amounts of \$129,246 and \$129,789 as reported in Note 3 to the financial statements in 2008 and 2007, respectively as certified by the county budget commission.
- The Fiscal Officer performs all phases over the utility billing system from billing, to updating payments to customer accounts, to depositing and posting \$53,943 and \$59,793 charges for services in 2008 and 2007, respectively to the revenue ledger.

These deficiencies resulted in an out of balance condition existing throughout the audit period between the accounting system balance and bank balance; could allow the Village to spend funds in excess of the amounts available; and no monitoring of the utility subsidiary ledger to revenue being reported.

To strengthen monitoring controls over the Village's financial activity that would ensure the Village book's are in balance, provide Council with financial budgetary information to assist in making informed decisions and utility collections are being reported properly, we recommend:

- A monthly reconciliation between the system account balance and bank balance be completed with every reconciling item supported. The Finance Committee should compare the support documentation to what is reported on the monthly reconciliation and indicate on the reconciliation that this review was completed.
- Estimated receipts should be reported on the monthly Revenue History Report presented to Council.
- Council review and compare the utility billing reports to the Revenue History Report to ensure agreement between the two reports. If any differences are found they should be identified. An indication should be noted that this reconciliation was performed.

Clients Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC § 5705.41(D) – Certification of funds	No	Reissued as Finding 2008-002 in this report.
2006-002	ORC § 5705.41(B) – Expenditures exceeded appropriations, unrecorded memo activity	Yes	
2006-003	Financial reporting material weakness	No	Reissued as Finding 2008-003 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MOUNT CORY

HANCOCK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2009**