

***VILLAGE OF CORNING  
PERRY COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2011 & 2010***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Village of Corning, Perry County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 31, 2012

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**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
Audit Report  
For the Years Ended December 31, 2011 & 2010**

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Corning  
Perry County  
PO Box 447  
Corning, Ohio 43730

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 years ended December 31, 2011 and 2010. 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 that 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.

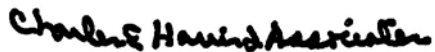
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the 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 years ended December 31, 2011 and 2010, 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, 2011 and 2010, or its changes in financial position or cash flows 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 as of December 31, 2011 and 2010 of the Village of Corning, Perry County, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, during 2010 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, 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.



***Charles E. Harris & Associates, Inc.***

June 25, 2012



**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 41,227	\$ 61,618	\$ 102,845
Intergovernmental	20,275	18,866	39,141
Charges for Service	-	119,056	119,056
Fines, Licenses and Permits	541	-	541
Interest	969	83	1,052
Other	75	2,725	2,800
	<hr/>	<hr/>	<hr/>
<b>Total Receipts</b>	<b>63,087</b>	<b>202,348</b>	<b>265,435</b>
<b>Disbursements:</b>			
Security of Persons & Property	19,464	116,069	135,533
Public Health Service	-	5,961	5,961
Leisure Time Activities	1,877	-	1,877
Transportation	-	33,521	33,521
General Government	39,101	-	39,101
Debt Service:			
Principal	-	6,290	6,290
Interest	-	5,989	5,989
	<hr/>	<hr/>	<hr/>
<b>Total Disbursements</b>	<b>60,442</b>	<b>167,830</b>	<b>228,272</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>2,645</b>	<b>34,518</b>	<b>37,163</b>
<b>Fund Cash Balance, January 1, 2011</b>	<b>92,579</b>	<b>186,407</b>	<b>278,986</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balance:</b>			
Restricted	-	220,925	220,925
Unassigned	95,224	-	95,224
<b>Fund Cash Balance, December 31, 2011</b>	<b>\$ 95,224</b>	<b>\$ 220,925</b>	<b>\$ 316,149</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE  
For the Year Ended December 31, 2011**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals- (Memorandum Only)</u>
<b>Operating Receipts:</b>			
Charges for Services	\$ 405,761	\$ -	\$ 405,761
<b>Total Operating Receipts</b>	<u>405,761</u>	<u>-</u>	<u>405,761</u>
<b>Operating Disbursements:</b>			
Personal Services	51,551	-	51,551
Employee Fringe Benefits	8,841	-	8,841
Contractual Services	144,560	-	144,560
Supplies and Materials	78,056	-	78,056
<b>Total Operating Disbursements</b>	<u>283,008</u>	<u>-</u>	<u>283,008</u>
<b>Operating Income</b>	<u>122,753</u>	<u>-</u>	<u>122,753</u>
<b>Non-Operating Receipts/(Disbursements):</b>			
Grants	127,799	-	127,799
Loan Proceeds	89,442	-	89,442
Special Assessments	16,958	-	16,958
Fines and Forfeitures	-	365	365
Debt Service:			
Principal Retirement	(37,134)	-	(37,134)
Interest and Fiscal Charges	(142,700)	-	(142,700)
Distribution of Fines and Forfeitures	-	(365)	(365)
<b>Total Nonoperating Receipts/(Disbursements)</b>	<u>54,365</u>	<u>-</u>	<u>54,365</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<u>177,118</u>	<u>-</u>	<u>177,118</u>
<b>Fund Cash Balance, January 1, 2011</b>	<u>295,736</u>	<u>68</u>	<u>295,804</u>
<b>Fund Cash Balance, December 31, 2011</b>	<u>\$ 472,854</u>	<u>\$ 68</u>	<u>\$ 472,922</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
All Governmental Fund Types  
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property Taxes	\$ 42,982	\$ 54,222	\$ 97,204
Intergovernmental	22,099	19,536	41,635
Charges for Service	-	111,788	111,788
Fines, Licenses and Permits	605	-	605
Interest	427	63	490
Other	440	1,360	1,800
<b>Total Receipts</b>	<b>66,553</b>	<b>186,969</b>	<b>253,522</b>
<b>Disbursements:</b>			
Security of Persons & Property	17,656	141,776	159,432
Public Health Service	-	5,335	5,335
Leisure Time Activities	1,890	-	1,890
Transportation	-	17,904	17,904
General Government	40,184	-	40,184
<b>Debt Service:</b>			
Principal	-	5,931	5,931
Interest	-	6,513	6,513
<b>Total Disbursements</b>	<b>59,730</b>	<b>177,459</b>	<b>237,189</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>6,823</b>	<b>9,510</b>	<b>16,333</b>
<b>Fund Cash Balance, January 1, 2010</b>	<b>85,756</b>	<b>176,897</b>	<b>262,653</b>
<b>Fund Cash Balance:</b>			
Restricted	-	186,407	186,407
Assigned	6,144	-	6,144
Unassigned	86,435	-	86,435
<b>Fund Cash Balance, December 31, 2010</b>	<b>\$ 92,579</b>	<b>\$ 186,407</b>	<b>\$ 278,986</b>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND**  
**CASH BALANCES -PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE**  
**For the Year Ended December 31, 2010**

	<u>Proprietary Fund Type Enterprise</u>	<u>Fiduciary Fund Type Agency</u>	<u>Totals- (Memorandum Only)</u>
<b>Operating Receipts:</b>			
Charges for Services	\$ 344,915	\$ -	\$ 344,915
<b>Total Operating Receipts</b>	<u>344,915</u>	<u>-</u>	<u>344,915</u>
<b>Operating Disbursements:</b>			
Personal Services	59,412	-	59,412
Employee Fringe Benefits	9,123	-	9,123
Supplies and Materials	13,557	-	13,557
<b>Total Operating Disbursements</b>	<u>82,092</u>	<u>-</u>	<u>82,092</u>
<b>Operating Income</b>	<u>262,823</u>	<u>-</u>	<u>262,823</u>
<b>Non-Operating Receipts/(Disbursements):</b>			
Grants	508,905	-	508,905
Loan Proceeds	1,492,000	-	1,492,000
Fines and Forfeitures	-	653	653
Capital Outlay	(611,283)	-	(611,283)
Debt Service:			
Principal Retirement	(1,513,698)	-	(1,513,698)
Interest and Fiscal Charges	(64)	-	(64)
Distribution of Fines and Forfeitures	-	(653)	(653)
Other Financing Sources	6,835	-	6,835
<b>Total Nonoperating Receipts/(Disbursements)</b>	<u>(117,305)</u>	<u>-</u>	<u>(117,305)</u>
<b>Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements</b>	<u>145,518</u>	<u>-</u>	<u>145,518</u>
<b>Fund Cash Balance, January 1, 2010</b>	<u>150,218</u>	<u>68</u>	<u>150,286</u>
<b>Fund Cash Balance, December 31, 2010</b>	<u>\$ 295,736</u>	<u>\$ 68</u>	<u>\$ 295,804</u>

See Accompanying Notes to the Financial Statements.

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Corning, Perry County (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, street maintenance, cemetery maintenance, police and fire protection, emergency medical services, and water and sewer services for its citizens.

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 of 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. CASH

Investments are included in the 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.

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, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

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. The Village has the following significant Special Revenue funds:

- Street Construction Maintenance & Repair Fund- This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.
- EMS Fund- This fund receives money from three surrounding townships for emergency medical services as well as charges related to emergency medical service runs.
- Fire Levy Fund- This fund receives money from three surrounding townships to provide fire protection services.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

The Village has the following significant Enterprise Funds:

- Sewer Fund- This fund receives loans and grants for the planning construction of a wastewater collection system as well as user fees from residents for the operation of the system.
- Water Fund- This fund receives loans and grants for the planning construction of a water distribution system as well as user fees for the operation of the system.

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Fiduciary Fund Types: These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Village's fiduciary funds include:

- Mayor's Court- This agency fund accounts for receipts and disbursements of the Mayor's Court.
- Bridgebuilders Fund- This fund acts as fiscal agent for a program aiding against underage alcohol consumption.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Village Council, 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 Fiscal Officer 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 estimated resources 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 Fiscal Officer sends the county auditor a certificate 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 revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2010 and 2011. However, those fund balances are available for appropriation.

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

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 object level.

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.

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 investments at December 31 was as follows:



**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS-(Continued)

	<u>2011</u>	<u>2010</u>
Demand Deposits	<u>\$789,071</u>	<u>\$574,790</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

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.

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

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>Fund:</u>	<u>2011 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 70,040	\$ 63,087	\$ (6,953)
Special Revenue Funds	287,990	202,348	(85,642)
Enterprise Fund	466,000	639,960	173,960

<u>Fund:</u>	<u>2011 Budgeted vs Actual Budgetary Basis Disbursements</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 76,644	\$ 60,442	\$ 16,202
Special Revenue Funds	205,585	167,830	37,755
Enterprise Fund	998,404	462,842	535,562

<u>Fund:</u>	<u>2010 Budgeted vs Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 75,452	\$ 66,553	\$ (8,899)
Special Revenue Funds	183,315	186,969	3,654
Enterprise Fund	745,000	2,352,655	1,607,655

<u>Fund:</u>	<u>2010 Budgeted vs Actual Budgetary Basis Disbursements</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General Fund	\$ 78,153	\$ 65,874	\$ 12,279
Special Revenue Funds	197,419	179,588	17,831
Enterprise Fund	2,467,435	2,226,749	240,686

The Village was in violation of ORC section 5705.39.

5. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF CORNING**  
**PERRY COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

5. RETIREMENT SYSTEM-(Continued)

Contribution rates are prescribed by the Ohio Revised Code. For 2011 and 2010 OPERS, members contributed 10.00% of their gross pay while the Village contributed an amount equal to 14.00% of covered payroll. The Village paid all required contributions through 2011.

6. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

**RISK POOL MEMBERSHIP**

The Village belongs to the Ohio Plan Risk Management, Inc., formerly known as the Ohio Risk Management Plan (the Plan).

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

6. RISK MANAGEMENT – (Continued)

RISK POOL MEMBERSHIP – (Continued)

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political subdivisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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 Plan.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	2011 <b>OPRM</b>	2010 <b>OPRM</b>
Assets	\$12,051,280	\$12,036,541
Liabilities	(5,328,761)	(4,845,056)
Members’ Equity	\$7,172,519	\$7,191,485

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

7. DEBT

Debt outstanding at December 31, 2011 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
OPWC #CR451	\$ 16,007	0.00%
OPWC #CR618	9,753	0.00%
OPWC#CT869	7,281	0.00%
OPWC#CT78C	83,854	0.00%
OPWC#CT601	333,000	0.00%
Equipment Loan	95,538	5.75%
USDA	1,581,442	3.75%
	<u>\$ 2,126,875</u>	

Debt in the previous audit report was understated by \$1,492,000.

The OPWC loans relate to EPA mandated water and sewer construction projects.

Principal and interest requirements for loans outstanding at December 31, 2011 is as follows:

<u>Year Ended</u>	<u>OPWC #CR451</u>	<u>OPWC #CR618</u>	<u>OPWC #CT869</u>	<u>OPWC #CT78C</u>	<u>OPWC #CT601</u>
2011	\$6,403	\$3,251	\$1,618	\$7,623	\$18,000
2012	6,403	3,251	1,618	7,623	18,000
2013	3,201	3,251	1,618	7,623	18,000
2014	-	-	1,618	7,623	18,000
2015	-	-	809	7,623	18,000
2016-2020	-	-	-	38,115	90,000
2021-2025	-	-	-	7,624	90,000
2026-2030	-	-	-	-	63,000
Total	<u>\$16,007</u>	<u>\$9,753</u>	<u>\$7,281</u>	<u>\$83,854</u>	<u>\$333,000</u>

**VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2011 and 2010**

7. DEBT – (Continued)

<u>Year Ended</u>	<u>Equipment Loan</u>	<u>USDA</u>
2011	\$12,140	\$74,301
2012	98,465	74,301
2013	-	74,301
2014	-	74,301
2015	-	74,301
2016-2020	-	371,505
2021-2025	-	371,505
2026-2030	-	371,505
2031-2035	-	371,505
2036-2040	-	371,505
2041-2045	-	371,505
2046-2050	-	371,505
Total	<u>\$110,605</u>	<u>\$2,972,040</u>

8. CHANGE IN ACCOUNTING PRINCIPLE

For 2010, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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614 W Superior Ave, Suite1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

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

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

Village of Corning  
Perry County  
PO Box 447  
Corning, Ohio 43730

To the Village Council:

We have audited the financial statements of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 25, 2012, 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, and wherein we noted the Village implemented GASB Statement No. 54. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

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

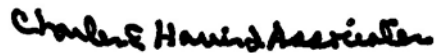
## Compliance and Other Matters

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as finding 2011-CORN-01.

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 25, 2012.

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



*Charles E. Harris and Associates, Inc.*

June 25, 2012



**VILLAGE OF CORNING  
PERRY COUNTY  
Schedule of Findings  
December 31, 2011 and 2010**

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

**Finding Number 2011-CORN-01-Non-Compliance**

**Appropriations Exceeded Estimated Resources**

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

2010

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Enterprise-Sewer	\$786,713	\$2,323,785	\$(1,537,072)

2011

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Enterprise-Sewer	\$761,736	\$998,404	\$(236,668)

**Management Response:**

The noncompliance was caused by the complexities of the construction project and the funding associated with it. While there was an over appropriation for the sewer fund, management carefully monitored the expenditures to ensure that the actual expenditures did not exceed resources available.

VILLAGE OF CORNING  
PERRY COUNTY, OHIO  
For the Years Ended December 31, 2011 and 2010

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2009-01</b>	<b>ORC 5705.39; Appropriations exceeded estimated resources</b>	<b>No</b>	<b>Repeated as 2011- CORN-01</b>



# Dave Yost • 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  
NOVEMBER 13, 2012