



Dave Yost • Auditor of State

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Mount Cory, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Mount Cory, Hancock County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1B.

Emphasis of Matter

As discussed in Note 1E to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 1, 2013

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$5,055		\$5,055
Intergovernmental	30,994	\$10,970	41,964
Special Assessments		115	115
Charges for Services	1,950		1,950
Earnings on Investments	323		323
Miscellaneous	398		398
<i>Total Cash Receipts</i>	<u>38,720</u>	<u>11,085</u>	<u>49,805</u>
Cash Disbursements			
Current:			
Security of Persons and Property	8,689	\$8,725	17,414
Public Health Services	771		771
Leisure Time Activities	5,346		5,346
Basic Utility Services	4,286		4,286
Transportation		1,091	1,091
General Government	28,107		28,107
<i>Total Cash Disbursements</i>	<u>47,199</u>	<u>9,816</u>	<u>57,015</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,479)	1,269	(7,210)
Other Financing Receipts (Disbursements)			
Transfers In		1,993	1,993
Transfers Out	(1,993)		(1,993)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,993)</u>	<u>1,993</u>	
<i>Net Change in Fund Cash Balances</i>	(10,472)	3,262	(7,210)
<i>Fund Cash Balances, January 1</i>	<u>15,415</u>	<u>75,985</u>	<u>91,400</u>
Fund Cash Balances, December 31			
Restricted		79,247	79,247
Unassigned	4,943		4,943
<i>Fund Cash Balances, December 31</i>	<u>\$4,943</u>	<u>\$79,247</u>	<u>\$84,190</u>

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$62,152
Operating Cash Disbursements	
Personal Services	4,980
Employee Fringe Benefits	697
Contractual Services	10,314
Other	94
<i>Total Operating Cash Disbursements</i>	16,085
<i>Operating Income</i>	46,067
Non-Operating Disbursements	
Principal Retirement	(11,721)
Interest and Other Fiscal Charges	(27,332)
<i>Total Non-Operating Disbursements</i>	(39,053)
<i>Net Change in Fund Cash Balances</i>	7,014
<i>Fund Cash Balances, January 1</i>	220,292
<i>Fund Cash Balances, December 31</i>	\$227,306

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$4,421		\$4,421
Intergovernmental	43,480	\$10,754	54,234
Special Assessments		1,846	1,846
Charges for Services	2,180		2,180
Earnings on Investments	400		400
Miscellaneous	208		208
<i>Total Cash Receipts</i>	<u>50,689</u>	<u>12,600</u>	<u>63,289</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,737	7,767	21,504
Public Health Services	914		914
Leisure Time Activities	5,454		5,454
Basic Utility Services	11,454		11,454
Transportation		4,653	4,653
General Government	31,064		31,064
<i>Total Cash Disbursements</i>	<u>62,623</u>	<u>12,420</u>	<u>75,043</u>
<i>Net Change in Fund Cash Balances</i>	(11,934)	180	(11,754)
<i>Fund Cash Balances, January 1</i>	<u>27,349</u>	<u>75,805</u>	<u>103,154</u>
Fund Cash Balances, December 31			
Restricted		75,985	75,985
Unassigned	15,415		15,415
<i>Fund Cash Balances, December 31</i>	<u>\$15,415</u>	<u>\$75,985</u>	<u>\$91,400</u>

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

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$61,579</u>
Operating Cash Disbursements	
Personal Services	5,613
Employee Fringe Benefits	781
Contractual Services	<u>12,228</u>
<i>Total Operating Cash Disbursements</i>	<u>18,622</u>
<i>Operating Income</i>	<u>42,957</u>
Non-Operating Disbursements	
Capital Outlay	(350)
Principal Retirement	(11,356)
Interest and Other Fiscal Charges	<u>(27,683)</u>
<i>Total Non-Operating Disbursements</i>	<u>(39,389)</u>
<i>Net Change in Fund Cash Balances</i>	3,568
<i>Fund Cash Balances, January 1</i>	<u>216,724</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$220,292</u></u>

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, 2012 AND 2011**

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, Ohio (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 and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

State Highway Fund – This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

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, 2012 AND 2011
(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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. Fund Balance

For 2011 the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned. This change has no effect on the previously stated fund balances.

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

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

F. Property, Plant, and Equipment

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

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

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:

	2012	2011
Demand deposits	\$311,496	\$311,692

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,455	\$38,720	\$3,265
Special Revenue	33,000	13,078	(19,922)
Enterprise	68,000	62,152	(5,848)
Total	\$136,455	\$113,950	(\$22,505)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,952	\$49,192	\$6,760
Special Revenue	108,985	9,816	99,169
Enterprise	319,400	55,138	264,262
Total	\$484,337	\$114,146	\$370,191

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,068	\$50,689	\$2,621
Special Revenue	22,000	12,600	(9,400)
Enterprise	68,000	61,579	(6,421)
Total	\$138,068	\$124,868	(\$13,200)

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,873	\$62,623	\$21,250
Special Revenue	97,232	12,420	84,812
Enterprise	285,135	58,011	227,124
Total	\$466,240	\$133,054	\$333,186

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, 2012 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$502,900	4.25%
USDA/Rural Development Loan	109,745	4.50%
Ohio Public Works Commission Loan	33,490	
Total	\$646,135	

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, 2012 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 6.

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 6.

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Mortgage Revenue Bond	USDA/Rural Development Loan	Ohio Public Works Commission Loan
2013	\$28,573	\$7,193	\$3,190
2014	28,667	7,193	3,190
2015	28,644	7,193	3,190
2016	28,609	7,193	3,190
2017	28,660	7,193	3,190
2018-2022	143,020	35,965	15,948
2023-2027	143,091	35,965	1,592
2028-2032	143,066	35,965	
2033-2037	143,220	35,965	
2038-2042	143,029	35,965	
2043-2045	85,917	14,237	
Total	<u>\$944,496</u>	<u>\$230,027</u>	<u>\$33,490</u>

6. 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.

7. 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

VILLAGE OF MOUNT CORY
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Mount Cory, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 1, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and the Village adopted Government Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

October 1, 2013

**VILLAGE OF MOUNT CORY
HANCOCK COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), provides in part that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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 primary exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of an appropriate fund free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Council.

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** – Council 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 may, but need not, be limited to a specific vendor. 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.

Of the transactions tested, 91% were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence Council followed the aforementioned exceptions. Rather, for these instances, the fiscal certificate was signed after the goods or services had been ordered or an invoice already received. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2012-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify the full purchase amounts to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires for the authorization of disbursements. The Fiscal Officer should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 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 2012-002

Material Weakness

Monitoring Village Financial Activity

The small size of the Village's staff does not allow for an adequate segregation of duties; the Fiscal Officer must perform all accounting functions. It is therefore important Village Council (or other committee) monitor financial activity closely. Errors were noted in the posting of revenues and expenditures to the financial statements that required 14 audit reclassifications and adjustments ranging in amounts of \$69 to \$79,247. The Village's accounting records were adjusted to reflect the adjustments affecting fund balances. The accompanying financial statements were adjusted or reclassified to reflect these amounts in the proper funds and accounts. The financial statements contained material errors such as the following:

- The January 1, 2011 balances for the General; Street Construction, Maintenance and Repair; State Highway; Lighting; and Sewer funds were adjusted by \$69, \$692, (\$192), \$74, and (\$26,946) for prior audit adjustments.
- In 2011, the Village allocated interest income to the Enterprise Funds which should have been posted to the General Fund in the amount of \$112.
- In the General Fund there were two reclassifications for property taxes and intergovernmental revenues ranging from \$2,452 to \$3,118 in 2011 and there was one reclassification for intergovernmental revenues and transfer expenditures in the amounts of \$2,326 and \$1,993, respectively, in 2012.
- In the Special Revenue Funds there were two reclassifications for intergovernmental and special assessment revenues ranging from \$1,846 to \$10,754 and one reclassification for transportation expenditures in the amount of \$4,493 in 2011 and there were three reclassifications for intergovernmental, special assessment, and transfer revenues ranging from \$115 to \$10,970 and one reclassification for transportation expenditures in the amount of \$1,013 in 2012.

**FINDING NUMBER 2012-002
(Continued)**

- In the Enterprise Funds, there was an adjustment posted for unrecorded expenditures in 2011 and unrecorded revenues in 2012 in the amounts of \$247 and \$974, respectively. In addition, there was one reclassification for charges for services revenues in the amount of \$65,659 and two reclassifications for capital outlay and debt service expenditures ranging from \$1,595 to \$28,656 in 2011 and there was one reclassification for charges for services revenues in the amount of \$61,178 and one reclassification for debt service expenditures ranging from \$7,193 to \$31,860 in 2012.
- In addition, there were reclassifications to ending fund balance in 2011 and 2012 to the General and Special Revenue funds in the classification of fund balance in accordance with GASB 54.
- In addition, the following deficiencies over monitoring of financial activity were encountered:
- The Village's fund balances were not reconciled to the bank. Adjustments were required to balance the books to the bank and are reflected in the adjustments posted to the financial statements noted above.
- The receipts ledger did not reflect estimated receipts as reported in Note 3 to the financial statements in 2012 and 2011, respectively, as certified by the county budget commission.

These deficiencies resulted in the books not being accurate and could allow the Village to spend funds in excess of the amounts available.

To help ensure the financial position of the funds presented to Village Council is complete and accurate we recommend:

- The Fiscal Officer post all transactions in accordance with the guidance established by the Ohio Village Officer's Handbook issued by the Auditor of State.
- Council adopt procedures for reviewing the financial statements for accuracy.
- Monthly bank reconciliations should be performed and provided to Council or the Finance Committee. Periodically, the reconciliation should be verified for accuracy and documentation of the review noted.
- Estimated receipts should be reported on the monthly Revenue History Report presented to Council.

Officials' Response:

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

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**VILLAGE OF MOUNT CORY
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code § 5705.41(D) for improper certification of funds.	No	Not corrected. Reissued as Finding 2012-001.
2010-002	Material weakness due to errors in reporting.	No	Not corrected. Reissued as Finding 2012-002.

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Dave Yost • 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 17, 2013**