



Dave Yost • Auditor of State

**VILLAGE OF CORNING
PERRY COUNTY
DECEMBER 31, 2016, 2015 AND 2014**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2016, 2015 and 2014.

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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 such 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2016, 2015 and 2014, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualifications

Charges for Services receipts in the Special Revenue Funds are reported at \$145,346, \$197,645, and \$167,912 for the years ended December 31, 2016, 2015, and 2014, respectively, which are 87, 84, and 88 percent of total Special Revenue Fund cash receipts for the years ended December 31, 2016, 2015 and 2014, respectively.

Charges for Services receipts in the Enterprise Funds are reported at \$320,078 and \$306,868 for the years ended December 31, 2015 and 2014, respectively, which are 100 and 99 percent of total Enterprise Fund operating cash receipts for the years ended December 31, 2015 and 2014, respectively.

Fines, Licenses and Permits receipts in the General Fund are reported at \$1,272 and \$5,188 for the years ended December 31, 2015 and 2014, respectively, which are two and seven percent of total General Fund cash receipts for the years ended December 31, 2015 and 2014, respectively.

Other Financing Sources are reported at \$899 and \$6,252 for the years ended December 31, 2015 and 2014, respectively, which is 100 percent of the Agency Fund receipts for the years ended December 31, 2015 and 2014. Other Financing Uses are reported at \$1,169 and \$6,242 for the years ended December 31, 2015 and 2014, respectively, which is 100 percent of the Agency Fund disbursements for the years ended December 31, 2015 and 2014.

We were unable to obtain sufficient appropriate audit evidence supporting the aforementioned amounts recorded as Charges for Services, Fines, Licenses and Permits, Other Financing Sources and Other Financing Uses. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualifications* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Corning, Perry County, Ohio, as of December 31, 2016, 2015 and 2014, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 of the financial statements for the year ended December 31, 2016, the Village is experiencing financial difficulties resulting in negative fund balances in the General Fund, Street Construction, Maintenance and Repair, Mayor's Court Computer, and the EMS Special Revenue Funds. Management's plan in regards to these financial difficulties is described in the aforementioned notes to the financial statements. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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

December 10, 2018

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**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$28,827	\$887	\$29,714
Intergovernmental	29,685	20,899	50,584
Special Assessments	596	0	596
Charges for Services	0	145,346	145,346
Fines, Licenses and Permits	7,052	0	7,052
Earnings on Investments	869	0	869
Miscellaneous	164	200	364
<i>Total Cash Receipts</i>	<u>67,193</u>	<u>167,332</u>	<u>234,525</u>
Cash Disbursements			
Current:			
Security of Persons and Property	39,101	132,658	171,759
Public Health Services	0	6,564	6,564
Leisure Time Activities	1,844	0	1,844
Transportation	0	58,636	58,636
General Government	56,286	0	56,286
Capital Outlay	0	11,410	11,410
Debt Service:			
Principal Retirement	3,438	31,471	34,909
Interest and Fiscal Charges	300	8,193	8,493
<i>Total Cash Disbursements</i>	<u>100,969</u>	<u>248,932</u>	<u>349,901</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,776)</u>	<u>(81,600)</u>	<u>(115,376)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	11,410	11,410
Transfers In	0	5,000	5,000
Transfers Out	(5,000)	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>16,410</u>	<u>11,410</u>
<i>Net Change in Fund Cash Balances</i>	(38,776)	(65,190)	(103,966)
<i>Fund Cash Balances, January 1</i>	<u>9,469</u>	<u>93,395</u>	<u>102,864</u>
Fund Cash Balances, December 31			
Restricted	0	58,623	58,623
Unassigned (Deficit)	(29,307)	(30,418)	(59,725)
<i>Fund Cash Balances, December 31</i>	<u><u>(\$29,307)</u></u>	<u><u>\$28,205</u></u>	<u><u>(\$1,102)</u></u>

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

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$325,244	\$0	\$325,244
<i>Total Operating Cash Receipts</i>	<u>325,244</u>	<u>0</u>	<u>325,244</u>
Operating Cash Disbursements			
Personal Services	29,191	0	29,191
Employee Fringe Benefits	8,948	0	8,948
Contractual Services	146,998	0	146,998
Supplies and Materials	48,016	0	48,016
<i>Total Operating Cash Disbursements</i>	<u>233,153</u>	<u>0</u>	<u>233,153</u>
<i>Operating Income (Loss)</i>	<u>92,091</u>	<u>0</u>	<u>92,091</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	1,870	0	1,870
Miscellaneous Receipts	3,924	0	3,924
Capital Outlay	(8,886)	0	(8,886)
Principal Retirement	(39,264)	0	(39,264)
Interest and Other Fiscal Charges	(53,855)	0	(53,855)
Other Financing Sources	0	9,324	9,324
Other Financing Uses	0	(10,098)	(10,098)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(96,211)</u>	<u>(774)</u>	<u>(96,985)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(4,120)</u>	<u>(774)</u>	<u>(4,894)</u>
Transfers In	83,205	0	83,205
Transfers Out	(83,205)	0	(83,205)
<i>Net Change in Fund Cash Balances</i>	<u>(4,120)</u>	<u>(774)</u>	<u>(4,894)</u>
<i>Fund Cash Balances, January 1</i>	<u>528,195</u>	<u>842</u>	<u>529,037</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$524,075</u></u>	<u><u>\$68</u></u>	<u><u>\$524,143</u></u>

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

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$31,466	\$866	\$32,332
Intergovernmental	28,262	37,476	65,738
Charges for Services	0	197,645	197,645
Fines, Licenses and Permits	1,272	0	1,272
Earnings on Investments	312	85	397
Miscellaneous	3,247	216	3,463
<i>Total Cash Receipts</i>	<u>64,559</u>	<u>236,288</u>	<u>300,847</u>
Cash Disbursements			
Current:			
Security of Persons and Property	38,661	197,284	235,945
Public Health Services	0	6,953	6,953
Leisure Time Activities	64	0	64
Transportation	0	18,253	18,253
General Government	41,413	0	41,413
Capital Outlay	10,500	180,665	191,165
Debt Service:			
Principal Retirement	1,935	24,886	26,821
Interest and Fiscal Charges	296	7,734	8,030
<i>Total Cash Disbursements</i>	<u>92,869</u>	<u>435,775</u>	<u>528,644</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(28,310)</u>	<u>(199,487)</u>	<u>(227,797)</u>
Other Financing Receipts (Disbursements)			
Sale of Bonds	0	137,466	137,466
Other Debt Proceeds	10,500	0	10,500
Transfers In	0	10,500	10,500
Transfers Out	(10,500)	0	(10,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>147,966</u>	<u>147,966</u>
<i>Net Change in Fund Cash Balances</i>	(28,310)	(51,521)	(79,831)
<i>Fund Cash Balances, January 1</i>	<u>37,779</u>	<u>144,916</u>	<u>182,695</u>
Fund Cash Balances, December 31			
Restricted	0	93,395	93,395
Assigned	9,469	0	9,469
<i>Fund Cash Balances, December 31</i>	<u>\$9,469</u>	<u>\$93,395</u>	<u>\$102,864</u>

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

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$320,078	\$0	\$320,078
<i>Total Operating Cash Receipts</i>	<u>320,078</u>	<u>0</u>	<u>320,078</u>
Operating Cash Disbursements			
Personal Services	45,348	0	45,348
Employee Fringe Benefits	4,737	0	4,737
Contractual Services	110,059	0	110,059
Supplies and Materials	9,786	0	9,786
<i>Total Operating Cash Disbursements</i>	<u>169,930</u>	<u>0</u>	<u>169,930</u>
<i>Operating Income (Loss)</i>	<u>150,148</u>	<u>0</u>	<u>150,148</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(47,241)	0	(47,241)
Interest and Other Fiscal Charges	(54,563)	0	(54,563)
Other Financing Sources	0	899	899
Other Financing Uses	0	(1,169)	(1,169)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(101,804)</u>	<u>(270)</u>	<u>(102,074)</u>
<i>Income (Loss) before Transfers and Advances</i>	48,344	(270)	48,074
Transfers In	61,054	0	61,054
Transfers Out	(61,054)	0	(61,054)
<i>Net Change in Fund Cash Balances</i>	48,344	(270)	48,074
<i>Fund Cash Balances, January 1</i>	<u>479,851</u>	<u>1,112</u>	<u>480,963</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$528,195</u></u>	<u><u>\$842</u></u>	<u><u>\$529,037</u></u>

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

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,797	\$874	\$28,671
Intergovernmental	33,310	18,898	52,208
Charges for Services	0	167,912	167,912
Fines, Licenses and Permits	5,188	0	5,188
Earnings on Investments	638	213	851
Miscellaneous	2,699	2,901	5,600
	<u>69,632</u>	<u>190,798</u>	<u>260,430</u>
Cash Disbursements			
Current:			
Security of Persons and Property	34,251	222,636	256,887
Public Health Services	0	4,137	4,137
Leisure Time Activities	11,019	25	11,044
Transportation	0	29,629	29,629
General Government	56,635	0	56,635
Capital Outlay	0	22,212	22,212
Debt Service:			
Principal Retirement	0	13,173	13,173
Interest and Fiscal Charges	0	3,994	3,994
	<u>101,905</u>	<u>295,806</u>	<u>397,711</u>
<i>Total Cash Disbursements</i>	<u>101,905</u>	<u>295,806</u>	<u>397,711</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(32,273)</u>	<u>(105,008)</u>	<u>(137,281)</u>
Other Financing Receipts (Disbursements)			
Other Debt Proceeds	0	17,012	17,012
Transfers In	0	15,000	15,000
Transfers Out	(15,000)	0	(15,000)
	<u>(15,000)</u>	<u>32,012</u>	<u>17,012</u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,000)</u>	<u>32,012</u>	<u>17,012</u>
<i>Net Change in Fund Cash Balances</i>	<u>(47,273)</u>	<u>(72,996)</u>	<u>(120,269)</u>
<i>Fund Cash Balances, January 1 (As Restated - Note 12)</i>	<u>85,052</u>	<u>217,912</u>	<u>302,964</u>
Fund Cash Balances, December 31			
Restricted	0	144,916	144,916
Unassigned (Deficit)	37,779	0	37,779
	<u>37,779</u>	<u>0</u>	<u>37,779</u>
<i>Fund Cash Balances, December 31</i>	<u>\$37,779</u>	<u>\$144,916</u>	<u>\$182,695</u>

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

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$306,868	\$0	\$306,868
Miscellaneous / Adjustments	2,765	0	2,765
<i>Total Operating Cash Receipts</i>	<u>309,633</u>	<u>0</u>	<u>309,633</u>
Operating Cash Disbursements			
Personal Services	33,029	0	33,029
Employee Fringe Benefits	10,086	0	10,086
Contractual Services	137,721	0	137,721
Supplies and Materials	22,465	0	22,465
<i>Total Operating Cash Disbursements</i>	<u>203,301</u>	<u>0</u>	<u>203,301</u>
<i>Operating Income (Loss)</i>	<u>106,332</u>	<u>0</u>	<u>106,332</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	470	0	470
Miscellaneous Receipts	5,065	0	5,065
Capital Outlay	(6,072)	0	(6,072)
Principal Retirement	(52,694)	0	(52,694)
Interest and Other Fiscal Charges	(55,275)	0	(55,275)
Other Financing Sources	0	6,252	6,252
Other Financing Uses	0	(6,242)	(6,242)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(108,506)</u>	<u>10</u>	<u>(108,496)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(2,174)</u>	<u>10</u>	<u>(2,164)</u>
Transfers In	80,246	0	80,246
Transfers Out	(80,246)	0	(80,246)
<i>Net Change in Fund Cash Balances</i>	<u>(2,174)</u>	<u>10</u>	<u>(2,164)</u>
<i>Fund Cash Balances, January 1 (As Restated - Note 12)</i>	<u>482,025</u>	<u>1,102</u>	<u>483,127</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$479,851</u></u>	<u><u>\$1,112</u></u>	<u><u>\$480,963</u></u>

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

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 1 - Reporting Entity

The Village of Corning (the Village), Perry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, street maintenance, cemetery maintenance, police and fire protection, emergency medical services, and water and sewer services for 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The Street Construction Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle tax money restricted for construction, maintenance, and repair of streets within the Village.

Cemetery Fund The Cemetery Fund accounts for and reports on the funds collected by sale of lots and burials in the Village owned cemetery.

EMS Fund The EMS Fund accounts for and reports monies received from three surrounding townships for emergency medical services as well as charges related to emergency medical service runs.

Fire Levy Fund The Fire Levy Fund accounts for and reports monies received from three surrounding townships to provide fire protection services.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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 Funds:

Water Fund The Water Fund accounts for the loans and grants for the planning, construction of a water distribution system as well as user fees for the operation of the system.

Sewer Fund The Sewer Fund accounts for the loans and grants for the planning, construction of a wastewater system as well as user fees for the operation of the system.

Fiduciary Funds Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds accounts for mayor's court and program aiding against underage alcohol consumption.

Mayor's Court Fund The Mayor's Court Fund accounts for the receipts and disbursements of the mayor's court.

Bridgebuilders Fund The Bridgebuilders Fund acts as the fiscal agent for a program aiding against underage alcohol consumption.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

A summary of 2014, 2015, and 2016 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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:

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

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.

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.

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.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Note 3 - Compliance

Contrary to Ohio law, for the year ended December 31, 2016, budgetary expenditures exceeded appropriation authority in the General Fund by \$30,220, Street Construction Maintenance & Repair Fund by \$32,915, Court Computer Fund by \$1,917, EMS Fund by \$6,748, and Other Enterprise Water Department Fund by \$6,641. In addition, contrary to Ohio law, no appropriations were legally adopted for the years ended December 31, 2015 and 2014. Therefore, all expenditures exceeded appropriations in the years ended December 31, 2015 and 2014.

Also contrary to Ohio law, at December 31, 2016, the following funds had cash deficit balances: General Fund (\$29,307), Street Construction, Maintenance, and Repair Fund (\$12,291), Mayor’s Court Computer Fund (\$1,439), and the EMS Fund (\$16,688).

Additionally, contrary to Ohio law, the Village did not have evidence of a Certificate of Estimated Resources being filed for the year ended December 31, 2015. Furthermore, appropriations exceeded estimated resources, for the year ended December 31, 2016, in the USDA RD Bond Retirement Fund by \$47,369.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2014, 2015 and 2016 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,065	\$69,632	\$7,567
Special Revenue	192,894	222,810	29,916
Enterprise	322,003	395,414	73,411
Total	\$576,962	\$687,856	\$110,894

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 4 - Budgetary Activity (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$116,905	(\$116,905)
Special Revenue	0	295,806	(295,806)
Enterprise	0	397,588	(397,588)
Total	<u>\$0</u>	<u>\$810,299</u>	<u>(\$810,299)</u>

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$75,059	\$75,059
Special Revenue	0	384,254	384,254
Enterprise	0	381,132	381,132
Total	<u>\$0</u>	<u>\$840,445</u>	<u>\$840,445</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$103,369	(\$103,369)
Special Revenue	0	435,775	(435,775)
Enterprise	0	332,788	(332,788)
Total	<u>\$0</u>	<u>\$871,932</u>	<u>(\$871,932)</u>

2016 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,500	\$67,193	\$6,693
Special Revenue	226,875	183,742	(43,133)
Enterprise	388,502	414,243	25,741
Total	<u>\$675,877</u>	<u>\$665,178</u>	<u>(\$10,699)</u>

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 4 - Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,500	\$120,720	(\$30,220)
Special Revenue	253,225	271,427	(18,202)
Enterprise	547,199	430,738	116,461
Total	\$890,924	\$822,885	\$68,039

Note 5 – Deposits and Investments

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

	2016	2015	2014
Demand deposits	\$523,041	\$631,901	\$663,658

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 6 – Taxes

Property Taxes

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.

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

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 7 - Risk Management

All employees of the Village are covered by a blanket bond, while certain individuals in policymaking roles are covered by separate higher limit bond coverage.

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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.

OPRM coverage programs 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762, 772, and 783 members as of December 31, 2016, December 31, 2015 and 2014 respectively.

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.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016, 2015 and 2014 (the latest information available):

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets	\$14,765,712	\$14,643,667	\$14,830,185
Liabilities	<u>(9,531,506)</u>	<u>(9,112,030)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,234,206</u>	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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. 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, 2016

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT601	\$53,360	0.00%
Ohio Public Works Commission Loan #CT78C	234,000	0.00%
Equipment Loan - Fire Truck	38,065	5.00%
United States Department of Agriculture Loan	1,415,000	3.75%
Equipment Loan - High Pressure Pump	8,814	4.25%
Equipment Loan - Police Cruiser	5,077	4.25%
Emergency Medical Service Vehicle Bond	117,236	3.99%
Equipment Loan - Mower	9,589	3.00%
Total	<u>\$1,881,141</u>	

The Ohio Public Works Commission and the United States Department of Agricultural loans relate to the Environmental Protection Agency mandated water and sewer construction projects. Water and sewer receipts collateralize these loans. The equipment loans through North Valley Bank were used to purchase a fire truck, high pressure pump, police cruiser and mower. The equipment serves as collateral on each loan. The Emergency Medical Services Vehicle Bond was through Century National Bank. The Village’s taxing authority collateralized the bond.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	Fire Truck	High Pressure Pump	Police Cruiser	Mower
2017	\$16,243	\$3,790	\$3,738	\$3,985
2018	16,243	3,790	1,588	\$3,984
2019	8,121	1,579	0	\$1,992
Total	<u>\$40,607</u>	<u>\$9,159</u>	<u>\$5,326</u>	<u>\$9,961</u>

Year Ending December 31:	OPWC #CT601	OPWC #CT78C	USDA	EMS Vehicle Bond
2017	\$14,711	\$18,000	\$74,063	\$16,784
2018	7,730	18,000	74,275	\$16,783
2019	7,730	18,000	74,450	\$16,784
2020	7,730	18,000	74,587	\$16,783
2021	7,730	18,000	74,688	\$16,784
2022-2026	7,731	90,000	372,700	54,546
2027-2031	0	54,000	370,688	0
2032-2036	0	0	371,387	0
2037-2041	0	0	371,188	0
2042-2046	0	0	370,962	0
2047-2050	0	0	296,837	0
Total	<u>\$53,362</u>	<u>\$234,000</u>	<u>\$2,525,825</u>	<u>\$138,464</u>

During 2016, the Village did not make payments on the OPWC Loan #CT601 because OPWC mistakenly left it off of the Village's invoice. OPWC has issued a new amortization schedule to reflect no payments due in 2016 and it has been reflected in the above amortization schedules.

Note 11 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2016, 2015 and 2014

Note 12 – Prior Period Adjustment

During the Village’s reconstruction of ledgers and monthly reconciliations, management determined that the balance of the Bridgebuilders Agency Fund was excluded from the December 31, 2013 audited financial statements. In addition, management identified expenditures during 2013 from the EMS Special Revenue Fund which were not allowable expenditures of this fund. This resulted in the following adjustments to the General, Special Revenue, and Agency Funds beginning fund balances:

	General	Special Revenue	Agency
Fund Balance December 31, 2013	\$91,840	\$211,124	\$1,034
Adjustment	(6,788)	6,788	68
Restated Fund Balance January 1, 2014	<u>\$85,052</u>	<u>\$217,912</u>	<u>\$1,102</u>

Note 13 – Financial Difficulties

The General Fund (\$29,307), Street Construction, Maintenance, and Repair Fund (\$12,291), Mayor’s Court Computer Fund (\$1,439), and the EMS fund (\$16,688) had cash deficit balances at December 31, 2016. The Village will monitor all expenditures of these funds.



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 Corning
Perry County
P.O. Box 447
Corning, Ohio 43730

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 cash balances, receipts, and disbursements by fund type of the Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2016, 2015, and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the Village's financial statements for the years ended December 31, 2016, 2015, and 2014 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Charges for Services in the Special Revenue Funds in the amounts of \$145,346, \$197,645, and \$167,912 for the years ended December 31, 2016, 2015, and 2014, respectively; for amounts recorded as Charges for Services in the Enterprise Funds in the amounts of \$320,078 and \$306,868 for the years ended December 31, 2015 and 2014, respectively; for amounts recorded as Fines, Licenses and Permits in the General Fund in the amounts of \$1,272 and \$5,188 for the years ended December 31, 2015 and 2014, respectively; for amounts recorded as Other Financing Sources in the Agency Funds in the amounts of \$899 and \$6,252 for the years ended December 31, 2015 and 2014, respectively; and for amounts recorded as Other Financing Uses in the Agency Funds in the amounts of \$1,169 and \$6,242 for the years ended December 31, 2015 and 2014, respectively. We also noted the Village is experiencing financial difficulties due to negative fund balances.

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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies.

Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-001 through 2016-005, 2016-010, 2016-011 and 2016-012 to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-002 and 2016-004 through 2016-011.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 10, 2018

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include the approval of all adjustments posted to the utility billing system and review of utility reports by management for the posting of unauthorized adjustments.

The Village was unable to provide sufficient appropriate audit evidence supporting amounts recorded for Charges for Services for the Village's Water and Sewer Enterprise Fund. Our testing of the Village's utility system noted the following deficiencies:

- We noted the Village did not maintain utility billing stubs for all of 2014 and January through March of 2015.
- We noted 548 unauthorized unsupported adjustments posted to customer accounts in the billing system by the former Fiscal Officer in 2014 totaling \$92,818 and 130 unauthorized unsupported adjustments posted to customer accounts in the billing system by the former Fiscal Officer in 2015 totaling \$30,311. These unauthorized adjustments totaled \$123,129 for the period. None of these adjustments were approved by the Board of Public Affairs/Village Administrator or Village Council.
- An analysis of utility records versus deposits for payments made to the Village by cash or check for the period January 1, 2014 through December 21, 2015 noted deposits unaccounted for totaling \$2,508, which occurred from January 8, 2014 through January 16, 2015. The nature and causes of these variances could not be determined.

As a result of these deficiencies, completeness over Charges for Service in the Water and Sewer Operating funds for 2015 and 2014 could not be reasonably assured. This caused us to modify our opinion over the Village's financial statements related to utility receipts.

Failure to maintain sufficient appropriate audit evidence to ensure the completeness of receipts could result in errors or irregularities to occur and remain undetected. Furthermore, the failure to have a member of Village management approve adjustments to customer utility accounts and the failure of Village management to review utility reports for evidence of unauthorized adjustments could result in fictitious adjustments being made to the system and remaining undetected.

The Village should develop and implement a formal policy regarding utility adjustments made to customer accounts. The policy should require all adjustments to be approved by the Board of Public Affairs/Village Administrator prior to being posted to the billing system. In addition, the policy should require the Board of Public Affairs/Village Administrator to review billing reports on a periodic basis for evidence of unauthorized adjustments posted to the system. These reviews should be documented on the appropriate reports and maintained on file as evidence that this review has been performed. Furthermore, the Village should reconcile daily deposits to transactions reports from the utility system to document that all monies collected have been deposited. These reconciliations of daily deposits should be periodically reviewed for discrepancies by someone other than the person who posts transactions to the utility system and reconciles the deposit.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-001 (Continued)

Material Weakness (Continued)

Officials' Response: All Water/Sewer account adjustments are prepared for Council at regular monthly meetings to review and approve by motion. The Accounts Receivable Aging report is also presented to Council for review at the regular monthly meeting. Bad debt accounts are presented to Council at the December meeting to be approved for write-off. This action does not remove the debt from the customer but only removes it from the Aging report. All write-offs can be reactivated for payment by the customer. A bad debt list is maintained in case the customer would attempt to move to another location at which time full payment would be required to obtain a new service.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Admin. Code §117-2-02 requires all local public offices to maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances. This includes management's approval of pay rates and policies for employees and agreement of amounts paid to the applicable supporting documents.

During the audit period, we noted no documentation related to the approved hourly rates for employees at the beginning of the audit period; however, we were able to gain assurances over the reasonableness of these rates.

In addition, for 2014, we noted the following discrepancies, between work documented on employee time sheets and hours paid as follows:

- A Village council member was paid on April 7, 2014 at a rate of \$36, however, the legislatively approved rate for council members was \$12.
- A Village employee was paid for 80 hours worked on June 18, 2014; however, the employee's corresponding time sheets documented 78.5 hours of work was performed. This resulted in an overpayment of \$14.

In addition, for 2015, we noted the following discrepancies, between work documented on employee time sheets and hours paid as follows:

- A Village employee was paid on July 2, 2015 for 24 hours of services based upon the employee's hourly pay rate and gross pay; however, the time sheets documented 20 hours of work was performed. This resulted in an overpayment of \$35.
- A Village employee was paid for 95 hours worked which agreed to the time sheet; however, the employee was paid an additional \$176 listed as "salary" on the pay stub. There was no documentation to support the salary amount paid. Furthermore, we scanned the employee's pay documentation for all pay periods for which the individual was employed with the Village and noted the following:
 - Descriptions of work performed on supporting documentation were not always consistent with funds charged; however without the time spent being consistently included on the weekly summary/timesheet we were unable to determine the amount of time/pay which should go to each fund.
 - Discrepancies existed between hours on time cards and the weekly summaries and it was unclear about which hours/time was accurate, if any.

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-002 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code §117-2-02 (Continued)

- “Salary” was indicated for a portion of the amount paid but it is unclear what this is. Additionally at times the “Salary” amount differs. The employee was paid this amount of \$176 nine times plus a “salary” amount in different amounts on several other occasions.
- Weekly summaries/timesheets (but not the timecards) included compensatory time earned and used but we noted no records for tracking for this time and no Village policy regarding the earning and using of compensatory time.

No formal Village policies or supporting documentation was provided which would explain the above differences nor was an explanation provided by Village management.

Failure to formally document the Council approval of pay rates and payroll policies could result in actions being taken which are not consistent with the intentions of Village management. In addition, unidentified or unusual discrepancies between amounts paid and supporting documentation or dates checks are issued could result in errors or irregularities occurring and remaining undetected.

The Council should approve all pay rates, changes in pay rates, and payroll policies and document this approval in the minutes. In addition, we further recommend the Village maintain all supporting documentation, including approved time sheets, and take due care in calculating gross pay, deductions and net pay. Management should ensure hours worked according to approved employee time sheets agree to hours paid and are in accordance with Village policies when approving disbursements and the approval should be prior to the disbursement being issued.

Officials’ Response: We did not receive a response from Officials to the above finding.

FINDING NUMBER 2016-003

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2015, there was no evidence of estimated resources being officially approved or filed with the County Budget Commission but the Village’s ledgers included budgeted receipts totaling \$788,894.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2016-003 (Continued)

Material Weakness (Continued)

At December 31, 2014, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts Per Last Amended Certificate	Budgeted Receipts Per the UAN Accounting System	Variance
General	\$62,065	\$50,225	(\$11,840)
Cemetery	7,394	12,510	5,116
Parks	0	100	100
Sewer Operating	185,000	165,000	(20,000)
Ohio Public Works Commission	0	15,247	15,247

Inaccurate budgetary information posted to the accounting system could result in management of the Village not being able to effectively monitor and report its budget versus actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 4 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

The Fiscal Officer should accurately post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: We did not receive a response from Officials to the above finding.

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Rev. Code § 149.43(B)(1) states, in part, that upon request, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. Furthermore, the Village should maintain an accounting system and accounting records sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village was unable to provide sufficient appropriate documentation for Mayor's Court Activity for all cases tested in 2014 and 20% of the cases tested in 2015. As a result, completeness over Mayor's Court receipts for 2015 and 2014 could not be reasonably assured.

Failure to maintain the appropriate supporting documentation related to Mayor's Court, such as a docket, case files, pre-numbered tickets, and receipts, could allow errors or irregularities to occur and remain undetected.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code § 149.43(B)(1) (Continued)

In addition, for the current period, this resulted in sufficient appropriate audit evidence being unavailable to support an unmodified opinion on the financial statements.

Supporting documentation should be maintained by the Mayor's Court Clerk for all court cases and receipts in accordance with record retention policies.

Officials' Response: Beginning in January 2016 Mayor's Court was reorganized. Mayor's Court Lite was purchased and installed to maintain all citations, court appearances, magistrate actions and payments or community service work hours. Each citation has a separate file and BMV number assigned. All payments for fines and fees are deposited into a separate bank account and at months end transferred into the General Checking Account for monthly payments to the State of Ohio and Perry County and for posting to the appropriate accounts (Computer Fund and Police Fund, etc.). Pre-numbered tickets are being used. Any document pertaining to a citation is placed in the file for the citation. When the case is complete, the file is stamped "Closed" and placed in a secure locked file cabinet. If the case is subject to a Bench Warrant or License Forfeiture, it is charged and marked as such and placed in a file cabinet designated for warrants where it is available to police officers to process defendants if picked up per the outstanding warrant. Monthly reports are presented to Council for citations, revenue from court and allocation of funds received from fines and fees.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 and .A16.

Furthermore, Ohio Admin. Code § 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

The Village Officer's Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code §117-2-02(A) (Continued)

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defines how fund balances are to be classified and is codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In addition, Auditor of State Bulletin 2011-004 requires local governments which prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

During 2016, 2015 and 2014, the Village failed to properly implement GASB Statement No. 54 requirements. This resulted in reclassifications being made to report the Village's fund balances in accordance with the aforementioned requirements. In addition, various other adjustments were made to the Village's financial statements for 2016, 2015 and 2014.

For the fiscal year ending December 31, 2016, the following misstatements were noted:

- Debt payments in the amounts of \$9,000 and \$20,000 were improperly classified as Interest and Other Fiscal Charges rather than Principal in the Ohio Public Works Commission Fund and USDA Debt Service Fund, respectively.
- Debt Proceeds for the purchase of a mower were not properly recorded in the Street Construction, Maintenance, and Repair Fund as a Capital Outlay disbursement and Other Debt Proceeds in the amount of \$11,410.
- Homestead and rollback receipts, in the amount of \$6,620, were improperly recorded as Property Taxes rather than Intergovernmental receipts in the General Fund.
- The Special Revenue Funds consisting of the Street Construction Maintenance and Repair, State Highway, State Grant-AFRRI, Cemetery, Drug Law Enforcement, Mayor's Court Computer, EMS, Parks, Building, Indigent Driver, and Fire Funds were incorrectly reported as Unassigned fund balance rather than Restricted fund balances in the amounts of \$58,623.

For the fiscal year ending December 31, 2015, the following misstatements were noted:

- A debt payment of \$22,620 was improperly classified as Interest and Other Fiscal Charges rather than Principal in the Ohio Public Works Commission Fund.
- A debt payment of \$4,621 was improperly classified as Contractual Services rather than Principal in the Water Operating Fund.
- Debt Proceeds for the purchase of a police cruiser were not properly recorded in the General Fund as a Capital Outlay disbursement and Other Debt Proceeds in the amount of \$10,500.
- Bond Proceeds for the purchase of an EMS squad were not properly recorded in the EMS Fund as a Capital Outlay disbursement and Sale of Bonds in the amount of \$137,466.
- Intergovernmental receipts were improperly recorded as Property Taxes on the Special Revenue financial statements in the amount of \$6,709.
- Charges for Services receipts were improperly recorded as Miscellaneous Receipts in the Sewer Operating and Water Operating funds in the amounts of \$9,478 and \$10,012, respectively.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code §117-2-02(A) (Continued)

- Transfers between Enterprise Funds were excluded from the financial statements. Transfers-Out of the Sewer Operating and Water Operating funds were understated by \$55,100 and \$5,954, respectively. Transfers-In within the OPWC, USDA/RDA Debt Service, Capital Improvement, and USDA/RDA Bond Retirement Funds were understated by \$22,637, \$10,000, \$2,417, and \$26,000, respectively.
- The portion of the General Fund balance for subsequent year appropriations were improperly reported as Unassigned rather than Assigned fund balance in the amount of \$20,457.
- The Special Revenue Funds consisting of the Street Construction Maintenance and Repair, State Highway, State Grant-AFRRI, Cemetery, Drug Law Enforcement, Mayor's Court Computer, EMS, Parks, Building, Indigent Driver, and Fire Funds were incorrectly reported as Nonspendable, Assigned, and Unassigned fund balances rather than Restricted fund balances, in the amount of \$82,407.
- A receipt, in the amount of \$13,198, for permissive taxes from the Perry County Engineer was classified as a Special Item rather than Intergovernmental receipts in the Street Construction Maintenance and Repair Fund.
- Various receipts, totaling \$5,798, were improperly classified as Property Taxes rather than Intergovernmental receipts within the General Fund.

For the fiscal year ending December 31, 2014, the following misstatements were noted:

- Debt payments of \$18,448 were improperly classified as Supplies and Materials (\$448) and Capital Outlay (\$18,000) rather than Principal in the Sewer Operating Fund.
- Debt payments in the amounts of \$15,246 and \$19,000 were improperly classified as Interest and Other Fiscal Charges rather than Principal in the Ohio Public Works Commission and USDA Debt Service Funds, respectively.
- Debt Proceeds of \$17,012 for the purchase of a high pressure pump were not properly recorded in the Fire Fund as a Capital Outlay disbursement and Other Debt Proceeds.
- Workers compensation and federal tax remittance refunds were entirely posted to the General Fund rather than being allocated to the Street Construction Maintenance and Repair, EMS, Fire, Sewer Operating, and Water Operating funds in the amounts of \$715, \$826, \$992, \$2,705, and \$2,360, respectively.
- Homestead and rollback receipts, in the amount of \$7,351, were improperly recorded as Property Taxes rather than Intergovernmental receipts in the General Fund.
- Special Assessment receipts, in the amount of \$470, were improperly recorded as Miscellaneous receipts in the Sewer Operating Fund.
- State FEMA receipts, in the amount of \$6,495, were improperly recorded as Miscellaneous receipts rather than Intergovernmental in the General Fund.
- Charges for Services receipts were improperly recorded as Miscellaneous Receipts in the Sewer Operating and Water Operating funds in the amounts of \$5,394 and \$4,809, respectively.
- The Special Revenue Funds consisting of the Street Construction Maintenance and Repair, State Highway, State Grant-AFRRI, Cemetery, Drug Law Enforcement, Mayor's Court Computer, EMS, Parks, Building, Indigent Driver, and Fire Funds were incorrectly reported as Unassigned fund balance rather than Restricted fund balances totaling \$131,395.
- The 2014 beginning fund balance of the Mayor's Court Agency Fund was excluded from the financial statements in the amount of \$1,034.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-005 (Continued)

Noncompliance and Material Weakness – Ohio Admin. Code §117-2-02(A) (Continued)

- An expenditure of \$4,200 for the Village's fireworks display was paid from the EMS Special Revenue Fund rather than the Village's General Fund. Furthermore, \$6,788 was also noted to have been paid in 2013 for fireworks from the EMS Special Revenue Fund. These resulted in adjustments being necessary to correct the accompanying financial statements including a prior period adjustment of \$6,788.
- In addition, the balance of the Bridgebuilders Agency Fund had been excluded from the prior audited financial statements; therefore a prior period adjustment of \$68 was necessary.

The following adjustments were noted regarding recording of the Village's Mayor's Court activity:

- During 2016, the Village accounted for the Mayor's Court within the General Fund rather than recording this receipt and disbursement activity in a separate Agency Fund. Therefore, receipts and disbursements of the Mayor's Court Agency Fund were understated by \$9,324 and \$10,098, respectively. In addition, remittance of fines to the State of Ohio and Perry County were made from the General Fund as General Government disbursements rather than being recorded as Other Financing Uses in the Agency Fund in the amount of \$2,315. A portion of the fees collected for the Mayor's Court Computer Fund in the amount of \$61 were posted to the General Fund as Fines, License and Permits instead of the Mayor's Court Computer Fund as Charges for Services. Furthermore, the Village made a transfer from the General Fund to the Mayor's Court Computer Fund in the amount of \$670 rather than recording the receipts as Charges for Service receipts in the Mayor's Court Computer Fund.
- During 2015, the Mayor's Court activity was not properly recorded in the Mayor's Court Agency Fund. Receipts and disbursements of the Agency Fund were understated by \$899 and \$1,168, respectively.
- During 2014, the Mayor's Court activity was not properly recorded in the Mayor's Court Agency Fund. Receipts and disbursements of the Agency Fund were understated by \$6,252 and \$6,242, respectively.

These adjustments, to which management has agreed, are reflected in the accompanying financial statements. In addition to the adjustments listed above, we also identified additional unadjusted differences ranging from \$144 to \$6,197 that we have brought to the Village's attention.

Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

The Fiscal Officer should refer to the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

Officials' Response: We were not aware that rollback revenue was not considered a part of Property Tax. This will be changed and reallocated for the 2018 fiscal year. Per authorization of state auditors a Mayor's Court Agency Fund will be added to UAN so the revenue and expense may be posted to that fund as opposed as being part of the General Fund. We did not know we could add this fund without requesting and receiving approval from the state auditor. Reallocations will be posted for 2018 to bring into compliance.

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-006

Noncompliance

Ohio Rev. Code § 145.47 requires each employer to withhold an amount, as determined by the public employees' retirement board, not to exceed ten percent from each employee's earnable salary that is a contributor to the retirement system. The required rate was ten percent for 2016, 2015 and 2014. Ohio Rev. Code § 145.48 states, in part, each employer shall pay to the public employees' retirement system an amount that shall have a certain per cent of the earnable salary of all contributors to be known as the "employer contribution." The required rate was 14% for 2016, 2015 and 2014.

The Village withheld the proper amounts from employees; however, withholdings were not properly remitted to the Ohio Public Employees Retirement System (OPERS). For 2016, we noted the Village should have remitted a total of \$40,546 for employee and employer contributions; however, our review of the payments register noted a total of \$40,058 remitted during the year. This resulted in a variance of (\$488) for 2016. Additionally, per review of the UAN Accounting system we noted that during 2016 the Village posted \$13,090 in payments to OPERS that were related to 2015 and cleared the bank during 2015. For 2015, we noted the Village should have remitted a total of \$39,354 for employee and employer contributions; however, our review of the payments register noted a total of \$30,212 remitted during the year. This resulted in a variance of (\$9,142) for 2015. For 2014, we noted the Village should have remitted a total of \$39,742 for employee and employer contributions; however, our review of the payments register noted a total of \$38,586 remitted during the year. This resulted in a variance of (\$1,156) for 2014.

For the payments made to OPERS, we were unable to substantiate if payments made during each year were for the current period or previous periods. The Village provided no explanation or documentation for these variances. Failure to properly withhold and remit the withholdings and contributions could result in errors and/or irregularities occurring and remaining undetected and subject the Village to penalties and interest charges.

The Village should remit employee withholdings and employer contributions in a timely fashion to the Ohio Public Employees Retirement System as required. The Village Trustees should monitor these payments to ensure payments are being made timely and in the appropriate amounts.

This matter will be referred to OPERS for whatever action deemed necessary.

Officials' Response: Several payments for OPERS were made in 2016 for unpaid withholdings from 2014 and 2015. We are researching these accounts to determine if any of the withholdings for employees in fiscal year 2016 were paid short. If there are any shortages, OPERS will be contacted and corrections will be made before year end.

FINDING NUMBER 2016-007

Noncompliance

Ohio Rev. Code § 2949.091 requires the court, in which any person is convicted of or pleads guilty to any offense to impose one of the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- Thirty dollars if the offense is a felony;
- Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violation; or

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-007 (Continued)

Noncompliance - Ohio Rev. Code § 2949.091 (Continued)

- Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

All such moneys collected during the month shall be transmitted on or before the twentieth of the following month by the clerk of the court to the treasurer of state.

The Mayor's Court Clerk did not always remit the amounts due to the state on or before the twentieth day of the following month. Nine and four monthly remittances to the state were not made timely for 2016 and 2014, respectively. For 2015, \$168 was not remitted to the state.

The Mayor and Clerk should ensure fines and fees collected and due to the State are remitted on or before the twentieth day of the following month and submit all reports as required timely.

Officials' Response: Mayor's Court was being organized in early 2016 and research was being done to determine if any fines and fees were paid and the correct amounts paid to the Treasurer of State and Perry County. Therefore, the first couple of months of 2016 were delayed for payment. Since then all payments have been made in a timely manner.

FINDING NUMBER 2016-008

Noncompliance

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

At July 31, 2016, the following funds had negative cash fund balances:

- General Fund - \$2,542
- Street Construction Maintenance & Repair Fund - \$1,064
- Computer Fund - \$2,115
- EMS Fund - \$3,911

At December 31, 2016, the following funds had negative cash fund balances:

- General Fund - \$18,319
- Street Construction Maintenance & Repair Fund - \$12,291
- Computer Fund - \$1,439
- EMS Fund - \$27,676

The Fiscal Officer should monitor activity in the funds to ensure that money paid into funds are only being used for the purposes for which such funds are established.

Officials' Response: Negative fund balances were the result of keeping the Village going.

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-009

Noncompliance

Ohio Rev. Code § 5705.14 states that no transfer shall be made from one fund of a subdivision to any other fund except for those exceptions provided for in Ohio Rev. Code § 5705.14(A) through (H). Except in the case of transfer pursuant to division (E) of Ohio Rev. Code § 5705.14, transfers authorized by Ohio Rev. Code § 5705.14 shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members. Ohio Rev. Code § 743.05 states that after payment of the expenses of conducting and managing the water works, any surplus of a municipal corporation may be applied to the repairs, enlargement, or extension of the works or of the reservoirs, the payment of the interest of any loan made for their construction, or for the creation of a sinking fund for the liquidation of the debt.

We noted the Village made transfers in and out of \$83,205, \$61,054, and \$80,246 during 2016, 2015, and 2014, respectively, between the Village's utility enterprise funds. However, we noted no evidence of these transfers being formally approved by Council.

Failure to obtain the approval of the Village Council for the transfer of monies could result in transfers being made inconsistent with the intentions of Village Council.

Interfund transfers should be approved by the Village Council as required prior to the transfer being posted to the Village's accounting system.

Officials' Response: The interfund transfers referred to were for accrual for annual payments to USDA for sewer loan and semi-annual payments to OPWC for water and sewer loans. Council reviews all interfund transfers at regular meetings and approves by motion.

FINDING NUMBER 2016-010

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

In addition, Ohio Rev. Code § 5705.38(C) requires appropriation measures to be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

Also, Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-010 (Continued)

Noncompliance and Material Weakness – Ohio Rev. Code § 5705.38(A) (Continued)

We noted the following violations with the requirements of Ohio Rev. Code § 5705:

- The Village adopted temporary appropriation measures on January 4, 2016 and permanent appropriation measures on March 29, 2016 for 2016; however, no evidence was noted of appropriations being adopted for 2015 or 2014.
- The Village did not provide evidence of a Certificate of Estimated Resources being adopted or filed for 2015.
- 2016 appropriations were not passed at the minimum legal level of control. The Village adopted appropriations by fund rather than the legally required level.
- For the year ended December 31, 2016, appropriations exceeded estimated resources in the USDA RD Bond Retirement Fund by \$47,369.
- For the year ended December 31, 2016, expenditures plus outstanding commitments exceeded appropriations in the General Fund by \$30,220, Street Construction Maintenance & Repair Fund by \$32,915, Computer Fund by \$1,917, EMS Fund by \$6,748, and Other Enterprise Water Department Fund by \$6,641. Furthermore, for the years ended December 31, 2015 and 2014, no appropriations were legally adopted and therefore all expenditures exceeded legally adopted appropriations.

The failure to properly follow the requirements of Ohio Rev. Code Chapter 5705, including the approval of Village appropriations and subsequent amendments, limiting appropriations to certified estimated resources and limiting expenditures to legally adopted appropriations could result in monies being spent on purposes other than those intended by the Council and resulted in deficit fund cash balances.

Each year the Village should obtain a Certificate of Estimated Resources from the County Budget Commission. The Village should also adopt an annual appropriation measure to meet the ordinary expenses of the Village each year. These appropriations should be limited to the total certified estimated resources for each fund. The approval of temporary and permanent appropriations should also be documented within the Village's minutes and appropriations should be adopted at the legally required level.

In addition, the Fiscal Officer should file the approved appropriation measure with the County Budget Commission. Subsequent expenditures should be limited to these legally adopted appropriations.

Officials' Response: Adjustments to the USDA RD Bond Retirement Fund were made to adjust for 2014 and 2015.

FINDING NUMBER 2016-011

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-01(D)(3) and (5) state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

In order to ensure the completeness over the Village's financial statements and reports, bank reconciliations should be performed on a monthly basis.

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-011 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-01(D)(3) and (5) (Continued)

The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Village's accounting system. The Fiscal Officer should provide monthly bank reconciliations to the Council at monthly meetings to review and approve.

Our review of the Village's monthly reconciliations of bank balances to book balances for the period of January 1, 2014 through December 31, 2016 noted various unexplained reconciling items on the reconciliations labeled as "other adjusting factors." These reconciling items ranged from (\$7,700) to \$36,527 during the period. Furthermore, we noted the Village did not originally complete monthly bank reconciliations for the months of July through November 2015. These conditions, in addition to other deficiencies in the Village's records, resulted in the Village being declared unauditible and to incur additional cost in reconstructing the Village's reconciliations and records. Unexplained reconciling items were subsequently identified by management and the filed financial statements and Village records were adjusted with the exception of immaterial adjustments of (\$1,693) and \$3,471 for 2015 and 2016. The lack of a proper reconciliation between the Village's bank balances and accounting records could also result in numerous errors or irregularities to occur and remain undetected and/or corrected in a timely manner.

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections promptly made, when applicable. Unusual or unidentified reconciling items should be promptly investigated and resolved. Additionally, the monthly bank reconciliation should be reviewed and approved by the Village Council each month to ensure reconciliations are being completed and no unusual reconciling items exist.

Officials' Response: Bank reconciliations were reconstructed by hand for 2014 and 2015 with records that were available. Differences were traced through December 31, 2015 and fund adjustments were made to bring 2016 into proper balance. Bank reconciliations have been done on a monthly basis since that time.

FINDING NUMBER 2016-012

Material Weakness

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Village's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. In addition, the Fiscal Officer also served as the Utility Clerk and was responsible for all functions, including billing, receipting, depositing, reconciling, and the approval of adjustments. It is therefore important for the Council members and Board of Public Affairs/Village Administrator to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. We initially noted no evidence of support for large unreconciled items on the Village's cash reconciliations, as discussed in Finding No. 2016-011.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-012 (Continued)

Material Weakness (Continued)

In addition, support for the Village's receipts and disbursements were not always properly maintained as noted in various findings within this report and in our modified opinion on the Village's financial statements. We also noted during our sampling of nonpayroll disbursements that the Village failed to make payments to vendors in a timely fashion. Our sampling of the Village's disbursements noted the Village paid late fees of \$566 and \$106 in 2016 and 2015, respectively. We noted two checks written in 2014, totaling \$1,068 and one check written in 2015 in the amount of \$288 that had no supporting documentation and the cancelled check image was unavailable to support the payee. Lastly, in our sample of nonpayroll disbursements tested for 2014, we noted two disbursements within our sample totaling \$74, for a projection of \$338, which had no supporting documentation or invoice.

Failure to adequately monitor the activities of the Village by Village Council and maintain supporting evidence and accounting reports of the Village's activities could result in errors or irregularities to occur and remain undetected.

The Village Council and Board of Public Affairs/Village Administrator should become more actively involved in monitoring the financial activity of the Village. Village Council should ensure that the Fiscal Officer performs a monthly bank reconciliation. Village Council should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. Village Council should also ensure the Fiscal Officer maintains and presents to Council monthly the following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Utility duties including the receipt of cash, depositing and posting activity to the billing system should be appropriately segregated and all adjustments to utility accounts should require approval.

Supervisory reviews should be performed by members of Village Council and evidenced by the initials of each member performing the review and the date of the review was performed.

The presentation of these records and reviews by Village Council and Board of Public Affairs/Village Administrator should be noted in the minutes. Council should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village.

Officials' Response: There were many penalties and late fees paid for invoices and payroll taxes that were due in 2014 and 2015 in the fiscal year 2016. The current Fiscal Officer had no control over unpaid or late payments for invoices from 2015. Invoices are currently being paid in a timely manner. As stated earlier, disbursements, interfund transfers and utility adjustments are presented each regular Council meeting for approval. There are also several financial, mayor's court and utility reports presented to Council at regular meetings and on a quarterly basis. The reports suggested will be printed and presented at all future regular meetings.

VILLAGE OF CORNING
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016, 2015 AND 2014
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2016-013

Material Weakness

The Village should design and operate a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, the Village should maintain an accounting system and accounting records sufficient to ensure the accountability over entity assets. In addition, the Village should have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious.

The Village was unable to provide sufficient appropriate audit evidence supporting amounts recorded for Charges for Services in the EMS Fund. The Village did not implement control procedures to ensure that all EMS runs made by the Village were billed and collected. The Village could not provide a listing of EMS Runs made throughout the period to support the information provided to the billing company. Although a listing could be obtained through the billing company, no evidence was on file with the Village to support that all runs that occurred were billed and collected. In addition, no evidence was provided to support that the Village reconciles the receipts and billings reported by the billing company to receipts and run documentation maintained by the Village. As a result, completeness over EMS charges for service receipts reported could not be reasonably assured.

Failure to implement controls over the completeness of EMS billings and receipts and maintain appropriate support documentation could also result in errors and/or irregularities occurring and remaining undetected.

The Village should maintain all run reports and supporting documentation for billings and receipts. The Village should develop procedures to ensure all EMS runs are being appropriately billed and collected by maintaining reconciling Village records of runs made and collected with runs billed by the billing company.

Officials' Response: Several requests were made to obtain EMS records regarding runs and billing but we did not receive them.

Village of Corning

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016, 2015 & 2014

Finding Number	Finding Summary	Status	Additional Information
2013-CORN-01	Recording Errors: Village financial statements had misstatements in Mayor's Court, Charges for Services, and Debt Service.	2013-14-15 NOT CORRECTED. 2016 PARTIALLY CORRECTED.	SIGNIFICANT TURN OVER IN THE CLERK POSITION DURING 2013-14-15. NEW MAYOR'S COURT SOFTWARE.
2013-CORN-02	Bank Reconciliations: Village has unresolved "other adjusting factors" on bank reconciliations.	2013-14-15 PARTIALLY CORRECTED. 2016 FULLY CORRECTED.	RECONSTRUCTED ON SPREADSHEETS NEAR AS POSSIBLE. ALL DONE ON UAN AND APPROVED BY COUNCIL.
2013-CORN-03	Ohio Rev. Code Section 149.351(A) – Records Missing: Village could not locate payroll tax returns, Mayor's Court citations and monthly reports, and public notices.	2013-14-15 PARTIALLY CORRECTED. 2016 FULLY CORRECTED.	MISSING BILLINGS STUBS NOT ALL INFORMATION ACCOUNTED FOR NOT ALL INFORMATION AVAILABLE. ALL DATES REPORTED CORRECTLY AND POSTING COMPLETED AS REQUIRED.



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
DECEMBER 27, 2018**