

VILLAGE OF CORNING
ANNUAL REPORT
YEARS ENDED DECEMBER 31, 2005 AND 2004

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



**Auditor of State
Betty Montgomery**

Members of Council
Village of Corning
PO Box 447
Corning, Ohio 43730-0447

We have reviewed the *Independent Auditors' Report* of the Village of Corning, Perry County, prepared by Wolfe, Wilson, & Phillips, Inc. for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Corning is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 27, 2006

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**VILLAGE OF CORNING
PERRY COUNTY**

TABLE OF CONTENTS

| <u>Title</u> | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1-2 |
| Combined Statement of Receipts, Disbursements and Changes In Fund Cash Balances - All Governmental Fund Types - Year Ended December 31, 2005 | 3 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances – All Proprietary Fund Types - Year Ended December 31, 2005 | 4 |
| Combined Statement of Receipts, Disbursements and Changes In Fund Cash Balances - All Governmental Fund Types - Year Ended December 31, 2004 | 5 |
| Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances – All Proprietary Fund Types - Year Ended December 31, 2004 | 6 |
| Notes to Financial Statements | 7-12 |
| Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | 13 |
| Schedule of Findings | 14 |
| Schedule of Prior Audit Findings | 15 |

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Corning
Perry County
P.O. Box 447
Corning, Ohio 43730-0447

We have audited the accompanying financial statements of the Village of Corning, Perry County as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Corning's combined funds as of December 31, 2005 and 2004, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Corning, Perry County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2006, on our consideration of Village of Corning's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 27, 2006

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$ 71,530 | \$ 40,494 | \$ 112,024 |
| Intergovernmental Receipts | 35,049 | 27,411 | 62,460 |
| Special Assessments | - | 2,091 | 2,091 |
| Charges for Services | 175 | 81,670 | 81,845 |
| Fines, Licenses, and Permits | 10,557 | 25 | 10,582 |
| Earnings on Investments | 882 | 389 | 1,271 |
| Miscellaneous | 8,015 | 205 | 8,220 |
| Total Cash Receipts | 126,208 | 152,285 | 278,493 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 47,572 | 37,409 | 84,981 |
| Public Health | - | 7,300 | 7,300 |
| Leisure Time Activities | 9,408 | 450 | 9,858 |
| Community Environment | 222 | - | 222 |
| Transportation | - | 24,921 | 24,921 |
| General Government | 34,787 | 13 | 34,800 |
| Debt Service: | | | |
| Principal Payments | 2,375 | 24,012 | 26,387 |
| Interest Payments | 493 | 7,236 | 7,729 |
| Capital Outlay | - | 13,750 | 13,750 |
| Total Cash Disbursements | 94,857 | 115,091 | 209,948 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 31,351 | 37,194 | 68,545 |
| Other Financing Receipts and (Disbursements): | | | |
| Transfer-In | - | 3,738 | 3,738 |
| Transfer-Out | (5,238) | - | (5,238) |
| Other Financing Sources | 6,216 | 50 | 6,266 |
| Total Other Financing Receipts/(Disbursements) | 978 | 3,788 | 4,766 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 32,329 | 40,982 | 73,311 |
| Fund Cash Balances, January 1 | 26,151 | 79,229 | 105,380 |
| Fund Cash Balances, December 31 | \$ 58,480 | \$ 120,211 | \$ 178,691 |
| Reserve for Encumbrances, December 31 | \$ 366 | \$ 13,332 | \$ 13,698 |

See notes to financial statements.

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|--|---------------------------|----------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 187,584 | \$ - | \$ 187,584 |
| Total Operating Cash Receipts | 187,584 | - | 187,584 |
| Operating Cash Disbursements: | | | |
| Personal Services | 33,545 | - | 33,545 |
| Employee Fringe Benefits | 5,764 | - | 5,764 |
| Contractual Services | 241,914 | - | 241,914 |
| Supplies and Materials | 41,617 | - | 41,617 |
| Total Operating Cash Disbursements | 322,840 | - | 322,840 |
| Operating Income/(Loss) | (135,256) | - | (135,256) |
| Non-Operating Cash Receipts | | | |
| Intergovernmental | - | 2,000 | 2,000 |
| Loan Proceeds | 208,846 | - | 208,846 |
| Special Assessments | 152,543 | - | 152,543 |
| Earnings on Investments | 376 | - | 376 |
| Miscellaneous Receipts | 11 | - | 11 |
| Other Financing Sources | 25,841 | 11,929 | 37,770 |
| Total Non-Operating Cash Receipts | 387,617 | 13,929 | 401,546 |
| Non-Operating Cash Disbursements | | | |
| Debt Service | | | |
| Principal | 20,858 | - | 20,858 |
| Interest | 891 | - | 891 |
| Capital Outlay | 200,552 | - | 200,552 |
| Other Financing Uses | 12,762 | 15,421 | 28,183 |
| Total Non-Operating Cash Disbursements | 235,063 | 15,421 | 250,484 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 17,298 | (1,492) | 15,806 |
| Transfer-In | 1,500 | - | 1,500 |
| Net Receipts Over/(Under) Disbursements | 18,798 | (1,492) | 17,306 |
| Fund Cash Balances, January 1 | 72,208 | 6,066 | 78,274 |
| Fund Cash Balances, December 31 | \$ 91,006 | \$ 4,574 | \$ 95,580 |
| Reserve for Encumbrances, December 31 | \$ 8,737 | \$ 322 | \$ 9,059 |

See notes to financial statements.

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property Tax and Other Local Taxes | \$ 31,564 | \$ 30,489 | \$ 62,053 |
| Intergovernmental Receipts | 50,194 | 34,557 | 84,751 |
| Special Assessments | 15,000 | - | 15,000 |
| Charges for Services | - | 66,990 | 66,990 |
| Fines, Licenses, and Permits | 17,359 | 1,980 | 19,339 |
| Earnings on Investments | 815 | 102 | 917 |
| Miscellaneous | 1,452 | - | 1,452 |
| Total Cash Receipts | 116,384 | 134,118 | 250,502 |
| Cash Disbursements: | | | |
| Current: | | | |
| Security of Persons and Property | 48,468 | 71,455 | 119,923 |
| Public Health | - | 4,799 | 4,799 |
| Leisure Time Activities | 12,007 | 13 | 12,020 |
| Community Environment | 5,666 | 809 | 6,475 |
| Transportation | - | 22,896 | 22,896 |
| General Government | 45,753 | 4,921 | 50,674 |
| Debt Service: | | | |
| Principal Payments | - | 32,395 | 32,395 |
| Interest Payments | - | 9,754 | 9,754 |
| Capital Outlay | 10,310 | 13,891 | 24,201 |
| Total Cash Disbursements | 122,204 | 160,933 | 283,137 |
| Total Cash Receipts Over/(Under) Cash Disbursements | (5,820) | (26,815) | (32,635) |
| Other Financing Receipts and (Disbursements): | | | |
| Transfer-In | - | 7,785 | 7,785 |
| Note Proceeds | 10,310 | - | 10,310 |
| Sale of Assets | - | 910 | 910 |
| Other Financing Sources | 4,430 | 12,913 | 17,343 |
| Transfer-Out | (7,785) | - | (7,785) |
| Total Other Financing Receipts/(Disbursements) | 6,955 | 21,608 | 28,563 |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 1,135 | (5,207) | (4,072) |
| Fund Cash Balances, January 1 | 25,016 | 84,436 | 109,452 |
| Fund Cash Balances, December 31 | \$ 26,151 | \$ 79,229 | \$ 105,380 |
| Reserve for Encumbrances, December 31 | \$ 994 | \$ 6,552 | \$ 7,546 |

See notes to financial statements.

**VILLAGE OF CORNING
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | Proprietary Fund Types | | Totals (Memorandum Only) |
|--|---------------------------|-----------------|--------------------------------|
| | Enterprise | Agency | |
| Operating Cash Receipts: | | | |
| Charges for Services | \$ 156,480 | \$ - | \$ 156,480 |
| Total Operating Cash Receipts | <u>156,480</u> | <u>-</u> | <u>156,480</u> |
| Operating Cash Disbursements: | | | |
| Personal Services | 30,042 | - | 30,042 |
| Employee Fringe Benefits | 4,942 | - | 4,942 |
| Contractual Services | 52,284 | - | 52,284 |
| Supplies and Materials | 51,622 | 1,083 | 52,705 |
| Capital Outlay | 24,512 | - | 24,512 |
| Total Operating Cash Disbursements | <u>163,402</u> | <u>1,083</u> | <u>164,485</u> |
| Operating Income/(Loss) | (6,922) | (1,083) | (8,005) |
| Non-Operating Cash Receipts | | | |
| Intergovernmental | - | 5,000 | 5,000 |
| OWDA Loan Proceeds | 43,900 | - | 43,900 |
| Special Assessments | 5,571 | - | 5,571 |
| Earnings on Investments | 135 | - | 135 |
| Other Financing Sources | - | 25,636 | 25,636 |
| Miscellaneous Receipts | 157 | - | 157 |
| Total Non-Operating Cash Receipts | <u>49,763</u> | <u>30,636</u> | <u>80,399</u> |
| Non-Operating Cash Disbursements | | | |
| Debt Service | | | |
| Principal | 18,086 | - | 18,086 |
| Other Financing Uses | 8,389 | 24,517 | 32,906 |
| Total Non-Operating Cash Disbursements | <u>26,475</u> | <u>24,517</u> | <u>50,992</u> |
| Net Receipts Over/(Under) Disbursements | 16,366 | 5,036 | 21,402 |
| Fund Cash Balances, January 1 | <u>55,842</u> | <u>1,030</u> | <u>56,872</u> |
| Fund Cash Balances, December 31 | <u>\$ 72,208</u> | <u>\$ 6,066</u> | <u>\$ 78,274</u> |
| Reserve for Encumbrances, December 31 | <u>\$ 11,850</u> | <u>\$ -</u> | <u>\$ 11,850</u> |

See notes to financial statements.

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Corning, Perry County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council, and an elected Mayor and Clerk. The Village provides general governmental services, cemetery maintenance, maintenance of Village streets and highways, water utility services, park operations, fire services, police services, and emergency medical services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village Clerk places all available funds of the Village in an interest bearing checking account.

D. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund

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

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

State Highway Fund – This fund receives gasoline tax money for maintaining and repairing state highways within the village.

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Cemetery Fund – This fund receives money from the selling of cemetery lots and the opening and closing of graves for general maintenance and operation of the cemetery.

EMS Fund – This fund receives money from three surrounding townships for emergency medical services, as well as money from charges related to emergency medical services runs.

Fire Levy Fund – This fund is used to account for property tax monies to provide fire protection.

Enterprise Funds

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

Water Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund – This fund receives debt proceeds for the planning and design of a wastewater facility and charges for future services from residents to cover the cost of providing this utility.

Fiduciary Funds (Agency Funds)

These funds account for activity for which the Village is acting in an agency capacity. The Village has the following significant Agency Funds:

Mayors Court Fund – This agency fund accounts for and reports the financial activity of the Mayor's Court of the Village.

Bridgebuilders Fund – The Village is acting as a fiscal agent for a program aiding against underage alcohol consumption.

E. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated. However, the Village did not encumber all commitments required by Ohio law.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

| | | |
|-----------------|------------|------------|
| | 2005 | 2004 |
| Demand Deposits | \$ 274,271 | \$ 183,654 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2005 and 2004 follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 73,045 | \$ 132,424 | \$ 59,379 |
| Special Revenue | 190,586 | 156,073 | (34,513) |
| Enterprise | 593,631 | 576,701 | (16,930) |
| Total | \$ 857,262 | \$ 865,198 | \$ 7,936 |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 119,470 | \$ 100,461 | \$ 19,009 |
| Special Revenue | 145,170 | 128,423 | 16,747 |
| Enterprise | 620,888 | 566,640 | 54,248 |
| Total | \$ 885,528 | \$ 795,524 | \$ 90,004 |

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 81,389 | \$ 131,124 | \$ 49,735 |
| Special Revenue | 124,750 | 155,726 | 30,976 |
| Enterprise | 173,873 | 206,243 | 32,370 |
| Total | <u>\$ 380,012</u> | <u>\$ 493,093</u> | <u>\$ 113,081</u> |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 138,699 | \$ 130,983 | \$ 7,716 |
| Special Revenue | 216,830 | 167,485 | 49,345 |
| Enterprise | 473,011 | 201,727 | 271,284 |
| Total | <u>\$ 828,540</u> | <u>\$ 500,195</u> | <u>\$ 328,345</u> |

Compliance and Accountability:

Contrary to Ohio law, appropriations exceeded estimated resources at December 31, 2005 as follows:

| Fund | Est. Resources | Appropriations | Variance |
|-----------------------|----------------|----------------|-------------|
| General | \$ 93,790 | \$ 118,476 | \$ (24,686) |
| Cemetery | 8,895 | 9,616 | (721) |
| Drug Law Enforcement | 3,010 | 9,616 | (6,606) |
| Building Fund | 2 | 301 | (299) |
| Tree Commission | 16 | 500 | (484) |
| Drug Enforcement | 2 | 500 | (498) |
| Indigent Driver | - | 1,175 | (1,175) |
| Other Enterprise Fund | 367,465 | 388,538 | (21,073) |
| Bridgebuilder | 6,416 | 7,394 | (978) |

Contrary to Ohio law, appropriations exceeded estimated resources at December 31, 2004 as follows:

| Fund | Est. Resources | Appropriations | Variance |
|---------------------------------|----------------|----------------|-------------|
| General | \$ 102,081 | \$ 134,173 | \$ (32,092) |
| Street Const., Maint., & Repair | 28,176 | 30,700 | (2,524) |
| State Highway | 3,965 | 4,570 | (605) |
| Cemetery | 4,681 | 5,663 | (982) |
| Drug Law Enforcement | 300 | 5,663 | (5,363) |
| State Grant - AFRRRI | 757 | 1,257 | (500) |
| EMS Fund | 112,526 | 116,665 | (4,139) |
| Building Fund | 2,375 | 4,225 | (1,850) |
| Fire Fund | 33,674 | 37,741 | (4,067) |
| Other Enterprise Fund | 171,631 | 409,772 | (238,141) |
| Sewer Fund | 25,312 | 49,185 | (23,873) |
| Bridgebuilder | 1,015 | 6,015 | (5,000) |

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | Principal | Interest Rate |
|---------------------------------------|------------|---------------|
| Ohio Water Development Authority Loan | 473,873 | 5.34% |
| Ohio Public Works Commission Loans | 220,820 | 0.00% |
| General Obligation Notes | 175,301 | 5.25 - 5.99% |
| Total | \$ 869,994 | |

The Ohio Water Development Authority (OWDA) loan relates to funding costs for planning and design of a wastewater (sewer) system and is expected to be repaid in a balloon payment on January 1, 2008 from utility system revenues.

The Ohio Public Works Commission (OPWC) loans were used for utility system improvements and will be repaid from utility system revenues.

The general obligation notes consist of issues for a fire truck, water tower, dump truck, cruiser, and an emergency squad. The full faith and credit of the Village have been pledged to repay this debt.

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

| Year Ending December 31 | OWDA Loan | OPWC Loans | General Obligation Notes |
|-------------------------------|--------------|---------------|--------------------------------|
| 2006 | \$ - | \$ 18,086 | \$ 26,895 |
| 2007 | - | 18,086 | 137,962 |
| 2008 | 561,731 | 18,086 | 10,048 |
| 2009 | - | 18,086 | 7,181 |
| 2010 | - | 18,086 | 1,722 |
| Thereafter | - | 130,390 | - |
| Total | \$ 561,731 | \$ 220,820 | \$ 183,808 |

**VILLAGE OF CORNING
PERRY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, members of OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participants' wages and 24% of fire participant's wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Pool is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductible.

The Pool cedes reinsurances or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements. The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained (deficit) earnings at December 31, 2004 and 2003 (the latest information available):

| | <u>2004</u> | <u>2003</u> |
|-----------------------------|-----------------------|-----------------------|
| Assets | \$ 2,390,150 | \$ 1,811,340 |
| Liabilities | (3,424,271) | (3,653,152) |
| Retained (deficit) earnings | <u>\$ (1,034,121)</u> | <u>\$ (1,841,812)</u> |

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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

8. CONTINGENT LIABILITIES

Claims and lawsuits are pending against the Village. Based upon information provided by the Village's legal counsel, any potential liability and the effect on the financial statements, if any, are not determinable at this time.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Corning
Perry County
P.O. Box 447
Corning, Ohio 43730-0447

We have audited the financial statements of the Village of Corning as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 27, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Corning's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated June 27, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Corning's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2005-01. We also noted certain immaterial instances of noncompliance, which we have reported to management of Village of Corning in a separate letter dated June 27, 2006.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
June 27, 2006

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

| |
|---|
| <i>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</i> |
|---|

FINDING NUMBER 2005-01

Noncompliance Citation

Ohio Revised Code Section 5705.39 limits appropriations to the amounts of estimated resources as certified by the County Budget Commission.

During the years ended December 31, 2005 and 2004, appropriations exceeded estimated resources in the following funds:

| 2005 | | | |
|---------------------------------|----------------|----------------|-------------|
| Fund | Est. Resources | Appropriations | Variance |
| General | \$ 93,790 | \$ 118,476 | \$ (24,686) |
| Cemetery | 8,895 | 9,616 | (721) |
| Drug Law Enforcement | 3,010 | 9,616 | (6,606) |
| Building Fund | 2 | 301 | (299) |
| Tree Commission | 16 | 500 | (484) |
| Drug Enforcement | 2 | 500 | (498) |
| Indigent Driver | - | 1,175 | (1,175) |
| Other Enterprise Fund | 367,465 | 388,538 | (21,073) |
| Bridgebuilder | 6,416 | 7,394 | (978) |
| 2004 | | | |
| Fund | Est. Resources | Appropriations | Variance |
| General | \$ 102,081 | \$ 134,173 | \$ (32,092) |
| Street Const., Maint., & Repair | 28,176 | 30,700 | (2,524) |
| State Highway | 3,965 | 4,570 | (605) |
| Cemetery | 4,681 | 5,663 | (982) |
| Drug Law Enforcement | 300 | 5,663 | (5,363) |
| State Grant - AFRRRI | 757 | 1,257 | (500) |
| EMS Fund | 112,526 | 116,665 | (4,139) |
| Building Fund | 2,375 | 4,225 | (1,850) |
| Fire Fund | 33,674 | 37,741 | (4,067) |
| Other Enterprise Fund | 171,631 | 409,772 | (238,141) |
| Sewer Fund | 25,312 | 49,185 | (23,873) |
| Bridgebuilder | 1,015 | 6,015 | (5,000) |

Prior to the Village Council authorizing the original appropriations or approving any amendments, we recommend the Village Council compare proposed appropriations with the amounts reflected on the (Amended) Certificate of Estimated Resources to ensure that appropriations will not exceed the Village's estimated resources. Since appropriation measures do not become effective until the County Auditor files a certificate that appropriations do not exceed estimated resources, Village management should not order any expenditure of money until the County Auditor issues such certificate.

Client Response: We agree with finding and will review at year-end so that we do not appropriate more than estimated resources.

**VILLAGE OF CORNING
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2005 AND 2004**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|-----------------|--|
| 2003-001 | ORC 5705.39 Appropriations greater than Estimated Resources | No | Not Corrected: Included in report as finding 2005-01. |
| 2003-002 | ORC 5705.41(D) Invoice dated prior to fiscal certification | No | Partially corrected: Included in current Management Letter |



**Auditor of State
Betty Montgomery**

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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
AUGUST 8, 2006**