



**Auditor of State  
Betty Montgomery**



VILLAGE OF THORNVILLE  
PERRY COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Thornville  
Perry County  
PO Box 607  
Thornville, Ohio 43076

To Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

July 11, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Thornville  
Perry County  
PO Box 607  
Thornville, Ohio 43076

To Village Council:

We have audited the accompanying financial statements of the Village of Thornville, Perry County, Ohio (the Village), as of and for the year ended December 31, 2005. 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.

Except as described in paragraph six, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processed its financial transactions with the Auditor of State's Uniform Accounting Network (UAN) starting in November 2005. *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005. Instead of the combined funds the accompanying financial statements present for 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005, or its changes in financial position for the year then ended.

We were unable to determine the completeness, occurrence, allocation, and rights and obligations of charges for services recorded in the Enterprise Fund Type, nor were we able to satisfy ourselves as to those receipts by other auditing procedures. These Charges for Service revenues represent 93 percent of revenues of the Enterprise Fund Type for the year ended December 31, 2005. In addition, we were unable to determine the completeness, occurrence, allocation, and rights and obligations of Mayor's Court revenues recorded in the General Fund under the Fines, Licenses, and Permits line item, nor were we able to satisfy ourselves as to those receipts by other auditing procedures. These revenues represent 12 percent of revenues of the General Fund for the year ended December 31, 2005.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support Charges for Service revenues in the Enterprise Fund Type and Fines, Licenses, and Permits revenues in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Thornville, Perry County, as of December 31, 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

July 11, 2006

**VILLAGE OF THORNVILLE  
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**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$61,018	\$46,697	\$107,715
Intergovernmental Receipts	30,218	68,039	98,257
Charges for Services	9,418	1,275	10,693
Fines, Licenses, and Permits	21,051	1,656	22,707
Earnings on Investments	3,349	0	3,349
Miscellaneous	47,759	1,131	48,890
	<u>172,813</u>	<u>118,798</u>	<u>291,611</u>
<b>Total Cash Receipts</b>			
	<u>172,813</u>	<u>118,798</u>	<u>291,611</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	33,053	43,046	76,099
Leisure Time Activities		2,157	2,157
Community Environment	3,943		3,943
Transportation		67,276	67,276
General Government	95,174	2,027	97,201
	<u>132,170</u>	<u>114,506</u>	<u>246,676</u>
<b>Total Cash Disbursements</b>			
	<u>132,170</u>	<u>114,506</u>	<u>246,676</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>40,643</u>	<u>4,292</u>	<u>44,935</u>
Fund Cash Balances, January 1	<u>499</u>	<u>49,586</u>	<u>50,085</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$41,142</u></u>	<u><u>\$53,878</u></u>	<u><u>\$95,020</u></u>

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

**VILLAGE OF THORNVILLE  
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, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$553,937	\$0	\$553,937
Fines, Licenses, and Permits	\$36,945		\$36,945
Miscellaneous	4,186		4,186
Total Operating Cash Receipts	<u>595,068</u>	<u>0</u>	<u>595,068</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	100,553		100,553
Fringe Benefits	38,925		38,925
Contractual Services	143,231		143,231
Supplies and Materials	94,441		94,441
Capital Outlay	14,421		14,421
Total Operating Cash Disbursements	<u>391,571</u>	<u>0</u>	<u>391,571</u>
Operating Income/(Loss)	<u>203,497</u>	<u>0</u>	<u>203,497</u>
<b>Non-Operating Cash Receipts:</b>			
Other Financing Sources		6,704	6,704
Other Non-Operating Receipts	5,652		5,652
Total Non-Operating Cash Receipts	<u>5,652</u>	<u>6,704</u>	<u>12,356</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service:			
Principal Payments	48,835		48,835
Interest Payments	135,731		135,731
Total Non-Operating Cash Disbursements	<u>184,566</u>	<u>0</u>	<u>184,566</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	24,583	6,704	31,287
Transfers-In	100,000		100,000
Transfers-Out	(100,000)		(100,000)
Net Receipts Over/(Under) Disbursements	24,583	6,704	31,287
Restated, Fund Cash Balances, January 1 (see Note 3)	<u>406,037</u>	<u>52,984</u>	<u>459,021</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$430,620</u></b>	<b><u>\$59,688</u></b>	<b><u>\$490,308</u></b>

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

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Thornville, Perry County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water and sewer utilities, park operations, and police.

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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual fund reports.

**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:

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Police Levy Fund - This fund receives property tax money to fund supplies and equipment for the Village's police force.

**3. Enterprise Funds**

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

Water Operating Fund - This fund receives charges for services from residents to cover the costs of providing this utility.

Sewer Operating Fund - This fund receives charges for services from residents to cover the costs of providing this utility.

**4. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Leatherman Estate Fund – This fund receives interest revenue from a bequest.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2005 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

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

**G. 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005
Demand deposits	<u>\$211,660</u>
Certificates of deposit	<u>316,589</u>
Total deposits	<u>528,249</u>
U.S. Treasury Notes	57,079
Total investments	<u>57,079</u>
Total deposits and investments	<u><u>\$585,328</u></u>

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

**Investments:** Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form. The market value of these securities at December 31, 2005 is \$57,079.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**3. RESTATEMENT OF PRIOR YEAR FUND BALANCES**

During the year ending December 31, 2004, the Village maintained a Debt Service Fund to account for the activity of two different Ohio Water Development Authority (OWDA) loans. The fund balance at year end for this fund was (\$188,693). During the year ending December 31, 2005, the Village began utilizing the UAN accounting system. At that point, the Village began classifying this debt fund as an Enterprise Fund Type. The change in fund type classification resulted in the following changes to beginning fund balances:

	Fund Balance at 31-Dec-04	Restated Fund Balance at 1-Jan-05
Debt Service Fund Type	(\$188,693)	\$0
Enterprise Fund Type	594,730	\$406,037

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2005 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$172,813	\$172,813
Special Revenue	0	118,798	118,798
Enterprise	0	700,720	700,720
Fiduciary	0	6,704	6,704
Total	\$0	\$999,035	\$999,035

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$132,170	(\$132,170)
Special Revenue	0	114,506	(114,506)
Enterprise	0	676,137	(676,137)
Fiduciary	0	0	0
Total	\$0	\$922,813	(\$922,813)

Contrary to Ohio Rev. Code Section 5705.10, the Village's Parks and Recreation and Police Levy Funds, both Special Revenue Fund Types, as well as the Sewer Debt Service Fund had negative fund balances as of December 31, 2005.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Rev. Code Section 5705.36, the Village did not certify available balances to the County Auditor. This resulted in the Perry County Budget Commission not issuing the Village an Official Certificate of Estimated Resources.

Contrary to Ohio Rev. Code Section 5705.38, the Village did not pass a permanent appropriation measure for fiscal year 2005. The Village passed only what was deemed a temporary appropriation measure.

Contrary to Ohio Rev. Code Section 5705.41(B), the Village had funds in which the expenditures exceeded appropriations at the legal level of control.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not obtain the Clerk's prior certification for all commitments.

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**6. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Wastewater Treatment Plant	\$2,200,368	6.39%
OWDA Loan - Water Planning and Design	358,699	5.40%
Total	<u>\$2,559,067</u>	

The Ohio Water Development Authority (OWDA) loan for Wastewater Treatment Plant was used to build a wastewater treatment plant. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**6. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan for Water Planning and Design was used for engineering studies. The loan is collateralized by water receipts. The OWDA has approved up to \$355,300 in loans to the Village for this project. The Village has drawn down \$33,138. The scheduled payment amount below assumes the \$355,300 will be borrowed and there is \$3,399 of capitalized interest for a total payback of \$358,699 as of December 31, 2005. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

	OWDA Loan 3313 Wastewater Treatment	OWDA Loan 3557 Water Feasibility Study
Year Ending December 31:		
2006	\$191,791	\$0
2007	191,791	0
2008	191,791	0
2009	191,791	83,173
2010	191,791	83,173
2011-2015	958,956	249,519
2016-2020	958,956	
2021-2025	958,956	
2026	191,791	
Total	<u>\$4,027,614</u>	<u>\$415,865</u>

**7. CAPITAL LEASES**

The Village has two capital leases. The Village leased a 2003 Chevrolet Impala for the police department on December 15, 2002 at a capitalized cost of \$20,503 with GMAC. These lease payments are made from the General Fund and at December 31, 2005, the Village had paid this lease off. Also, the Village leased a 2003 Ford F-250 for the utility department on April 14, 2003 with Ford Credit for four annual payments of \$8,184 with a maturity date of April 14, 2006. These payments will be made from the Sewer Fund and at December 31, 2005 there remains a balance of \$8,184.

**8. RETIREMENT SYSTEMS**

The Village's law enforcement officers and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
(Continued)**

**8. RETIREMENT SYSTEMS (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members not in law enforcement contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. For those members in law enforcement, they contributed 10.1 percent of their wages and the Village contributed an amount equal to 16.7 percent of their wages. The Village has paid all contributions required through December 31, 2005.

**9. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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 obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2005</b>	<b>2004</b>
Assets	\$8,219,430	\$6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$5,470,791	\$4,457,714

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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**Auditor of State  
Betty Montgomery**

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

Village of Thornville  
Perry County  
PO Box 607  
Thornville, Ohio 43076

To the Village Council:

We have audited the financial statements of the Village of Thornville, Perry County, Ohio (the Village), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 11, 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 also noted that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. In addition, we qualified our report because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of Charges for Services in the Enterprise Fund Type and completeness, occurrence, allocation, rights and obligations of Fines, Licenses, and Permits revenues in the General Fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-005.

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A material weakness is a 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 and fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001 through 2005-005 listed above to be material weaknesses. In a separate letter to the Village's management dated July 11, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-006. In a separate letter to the Village's management dated July 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit/finance committee, management, and the Village Council. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

July 11, 2006

VILLAGE OF THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.41(D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

2. **Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding 3 months or running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, the \$5,000 limit on the issuance of purchase orders and the requirement that purchase orders not extend beyond three months have been removed from the law. Effective September 26, 2003, purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. No more than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures tested during 2005. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)

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

FINDING NUMBER 2005-001 (Continued)

**Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D) (1) (Continued)**

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

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

FINDING NUMBER 2005-002

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 149.351(A) provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

For 2005, utility billings, collections and customer accounts were maintained on computer software. However, all utility information provided on the computer software was not accessible due to a departmental computer crash and hard copies were not maintained for all billing, collection and posting of customer accounts. In addition, the Village did not provide adequate supporting documentation for revenues collected via the Mayor's Court. As a result, we qualified our opinion on revenues of both the Enterprise Fund – Charges for Service and the General Fund – Fines, Licenses, and Permits revenue accounts.

We recommend the Village maintain all documentation as required by the Ohio Revised Code. In addition, the Village should have a disaster recovery plan for records maintained on computer systems.

FINDING NUMBER 2005-003

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.36 (A)(1) provides, in part, that on or about the first day of each fiscal year, the fiscal officer of the Village is to certify to the County Auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. For 2005, the Village did not certify the certification of available balances with the County Auditor nor was it approved by the legislative authority in the minute record.

VILLAGE OF THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)

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

**FINDING NUMBER 2005-003 (Continued)**

**Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.36 (A)(1) (Continued)**

The failure of the Village to certify amounts available for expenditure led to the County Budget Commission not approving an Official Certificate of Estimated Resources.

We recommend the Village certify their total amount available for expenditure from each fund on or about the first day of each fiscal year and document approval of this document in the minutes.

**FINDING NUMBER 2005-004**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 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 April 1.

Ohio Rev. Code Section 5705.39 provides, in part, no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

The Village passed a Temporary Appropriation Resolution on January 5, 2005, which was certified to the County Auditor. The Village Council minutes document permanent appropriations being approved on March 23, 2005, this additional appropriation measure was not certified to the County Auditor, therefore the County Auditor did not file a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed official estimate or amended official estimate.

We recommend the Village pass a permanent appropriation measure by April 1 of each year and document such approval in the official minute record of the village. The accompanying budgetary presentation includes only legally approved appropriations, of which the Village had none

**FINDING NUMBER 2005-005**

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Because the Village failed to properly certify permanent appropriations, all expenditures made during 2005 violated this section of the Ohio Revised Code.

VILLAGE OF THORNVILLE  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005  
(Continued)

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

FINDING NUMBER 2005-005 (Continued)

**Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(B) (Continued)**

We recommend the Village certify appropriations as further detailed in Ohio Revised Code Section 5705.38. When a permanent appropriation measure is in place, the Village Clerk/Treasurer should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41(D). In addition, we recommend the Village Clerk/Treasurer and Village Council compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

FINDING NUMBER 2005-006

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states, in part, that money paid into a fund must be used for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2005, the Village had the following funds with negative cash fund balances: Sewer Debt Service Fund in the amount of \$88,693, Police Levy Fund in the amount of \$27,716, and the Parks and Recreation Fund in the amount of \$189.

In addition, the Village also operated at various times throughout the year with a negative fund balance in the following funds: General, Recreation, Police Levy, Sewer Debt Service and Swimming Pool Funds.

We recommend the Village monitor fund balances in order to avoid negative fund balances. When cash flow problems arise, monies should be advanced as outlined in Auditor of State Bulletin 97-003.

**VILLAGE OF THORNVILLE  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	Ohio Rev. Code Section 5705.41 (D) – failure to certify funds prior to purchase commitment	No	Not Corrected – Citation repeated as Finding Number 2005-001 in the Schedule of Findings.
2004-002	Ohio Rev. Code Section 5705.10 – Village Funds with negative balances at December 31.	No	Not Corrected – Citation repeated as Finding Number 2005-006 in the Schedule of Findings.
2004-003	Ohio Rev. Code Section 5705.38 (A) – Passage and certification of permanent appropriations	No	Not Corrected – Citation repeated as Finding Number 2005-004 in the Schedule of Findings.
2004-004	Ohio Rev. Code Section 5705.39 – Appropriations in excess of Estimated Resources	No	Not Corrected – Citation repeated as Finding Number 2005-004 in the Schedule of Findings
2004-005	Ohio Rev. Code Section 5705.41 (B) – Expenditures in excess of Appropriations	No	Not Corrected – Citation repeated as Finding Number 2005-005 in the Schedule of Findings.
2004-006	Ohio Rev. Code Section 149.351 (A) – Destruction of Records.	No	Not Corrected – Citation repeated as Finding Number 2005-002 in the Schedule of Findings.





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**VILLAGE OF THORNVILLE**

**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  
SEPTEMBER 14, 2006**