



***VILLAGE OF CORNING
PERRY COUNTY***

Regular Audit

**For the Years Ended
December 31, 2018 and 2017**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER

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Village Council
Village of Corning
PO Box 447
Corning, OH 43730

We have reviewed the *Independent Auditor's Report* of the Village of Corning, Perry County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

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.



Keith Faber
Auditor of State
Columbus, Ohio

September 24, 2019

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Independent Auditor's Report

Village Council
Village of Corning
Perry County
P.O. Box 447
Corning, OH 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, 2018 and 2017.

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 Section 117.38 and Ohio Administrative Code Section 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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the December 31, 2018 and 2017 financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of American (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 Section 117.38 and Ohio Administrative Code Section 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, 2018 and 2017, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Charges for Services receipts in the Special Revenue Funds are reported at \$136,717 and \$156,861 for the years ended December 31, 2018 and 2017, respectively, which are 78 and 71 percent of total Special Revenue Fund cash receipts for the years ended December 31, 2018 and 2017, respectively.

We were unable to obtain sufficient appropriate audit evidence supporting the aforementioned amounts recorded as Charges for Services. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Corning, Perry County as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Members of Council
Village of Corning, Perry County
Independent Auditor's Report

Emphasis of Matter

As discussed in Note 12 of the financial statements for the years ended December 31, 2017 and 2018, 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 a report dated June 24, 2019 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 24, 2019

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, 2018

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Other Local Taxes	\$33,089	\$823	\$33,912
Intergovernmental	33,523	19,880	53,403
Charges for Service	0	136,717	136,717
Fines, Licenses, and Permits	25,701	710	26,411
Earnings on Investments	1,701	0	1,701
Miscellaneous	4,456	16,151	20,607
Total Cash Receipts	98,470	174,281	272,751
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	37,884	0	37,884
Security of Persons and Property	42,567	80,471	123,038
Public Health Services	0	3,211	3,211
Leisure Time Activities	471	0	471
Basis Utility Services	3,098	1,429	4,527
Transportation	424	48,580	49,004
<i>Debt Service:</i>			
Principal	1,473	34,567	36,040
Interest and Fiscal Charges	15	4,980	4,995
Total Cash Disbursements	85,932	173,238	259,170
Cash Receipts Over (Under) Cash Disbursements	12,538	1,043	13,581
<u>Other Financing Sources (Uses):</u>			
Other Financing Sources	6	0	6
Other Financing Uses	(18)	0	(18)
Sale of Capital Assets	3,875	0	3,875
Transfers In	0	1,580	1,580
Transfers Out	(1,580)	0	(1,580)
Total Other Financing Sources (Uses)	2,283	1,580	3,863
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	14,821	2,623	17,444
Fund Cash Balances, January 1	(37,754)	(88,389)	(126,143)
Restricted	0	62,278	62,278
Committed	0	0	0
Assigned	0	1,560	1,560
Unassigned	(22,933)	(149,604)	(172,537)
Fund Cash Balances, December 31	(\$22,933)	(\$85,766)	(\$108,699)

See accompanying notes to the financial statements.

VILLAGE OF CORNING, PERRY COUNTY
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types
For the Year Ended December 31, 2018

	Fiduciary Fund Type		Totals
	Enterprise	Agency	
<u>Operating Cash Receipts:</u>			
Charges for Services	\$310,316	\$0	\$310,316
Total Operating Cash Receipts	310,316	0	310,316
<u>Operating Cash Disbursements:</u>			
Personal Services	64,930	0	64,930
Employee Fringe Benefits	6,514	0	6,514
Contractual Services	113,100	0	113,100
Supplies and Materials	11,676	0	11,676
Total Operating Cash Disbursements	196,220	0	196,220
Operating Income (Loss)	114,096	0	114,096
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Special Assessments	28,775	0	28,775
Miscellaneous Receipts	8,586	0	8,586
Capital Outlay	(3,142)	0	(3,142)
Principal Retirement	(48,641)	0	(48,641)
Interest and Fiscal Charges	(52,361)	0	(52,361)
Other Financing Sources	0	26,411	26,411
Other Financing Uses	(20,603)	(26,411)	(47,014)
Total Non-Operating Cash Receipts (Disbursements)	(87,386)	0	(87,386)
Income (Loss) before Transfers	26,710	0	26,710
Transfers In	99,989	0	99,989
Transfers Out	(99,989)	0	(99,989)
Net Change in Fund Balances	26,710	0	26,710
Fund Cash Balances, January 1	477,565	68	477,633
Fund Cash Balances, December 31	\$504,275	\$68	\$504,343

See accompanying notes to the financial statements.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2018

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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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.

State Highway Fund The State Highway Fund receives gasoline tax and motor vehicle tax money for maintaining areas adjacent to state highways that run through the village.

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, 2018

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, 2018

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 2018 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, 2018

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, 2017, budgetary expenditures exceeded appropriation authority in the General Fund by \$2,529, Street Construction Maintenance & Repair Fund by \$28,299, State Highway Fund by \$733, Drug Law Enforcement Fund by \$409, Sewer Operating Fund by \$58,991, USDA Fund by \$275, and OPWC Fund by \$25,730.

Also contrary to Ohio law, at December 31, 2017, the following funds had cash deficit balances: General Fund (\$22,933), Street Construction, Maintenance, and Repair Fund (\$47,461), Mayor’s Court Computer Fund (\$136), and the EMS Fund (\$102,007).

Furthermore, appropriations exceeded estimated resources in several funds for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,514	\$102,351	\$18,837
Special Revenue	179,500	175,860	(3,640)
Enterprise	375,600	447,666	72,066
Total	\$638,614	\$725,877	\$87,263

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 4 - Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,000	\$87,530	(\$2,530)
Special Revenue	195,105	173,238	21,867
Enterprise	343,060	420,956	(77,896)
Total	\$623,165	\$681,724	(\$58,559)

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:

Demand deposits	2018
	\$395,644

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, 2018

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. 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 764 members as of December 31, 2017.

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, 2017 and 2016 (the latest information available):

	<u>2017</u>	<u>2016</u>
Assets	\$14,853,620	\$14,765,712
Liabilities	<u>(9,561,108)</u>	<u>(9,531,506)</u>
Members' Equity	<u>\$5,292,512</u>	<u>\$5,234,206</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, 2018

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, 2018.

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 contribute none of the employer contribution to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT601	\$30,920	0.00%
Ohio Public Works Commission Loan #CT78C	198,000	0.00%
Equipment Loan - Fire Truck	7,968	5.00%
United States Department of Agriculture Loan	1,372,000	3.75%
Equipment Loan - High Pressure Pump	1,385	4.25%
Emergency Medical Service Vehicle Bond	92,288	3.99%
Equipment Loan - Mower	2,087	3.00%
OWDA Loan #7679	433,076	1.14%
Total	<u>\$2,137,724</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. The Ohio Water Development Authority loan relates to the water meter upgrades and the Telemetry Replacement.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2018

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	Mower
2019	\$8,086	\$1,579	\$2,104
Total	<u>\$8,086</u>	<u>\$1,579</u>	<u>\$2,104</u>

Year Ending December 31:	OPWC #CT601	OPWC #CT78C	USDA	EMS Vehicle Bond	OWDA #7679
2019	\$7,730	\$18,000	\$74,302	\$16,784	\$9,206
2020	7,730	18,000	74,302	16,783	18,413
2021	7,730	18,000	74,302	16,784	18,414
2022	7,730	18,000	74,302	16,784	18,413
2023	0	18,000	74,302	16,784	18,414
2024-2028	0	90,000	371,508	20,995	92,063
2029-2033	0	18,000	371,508	0	92,065
2034-2038	0	0	371,508	0	92,065
2039-2043	0	0	371,508	0	92,064
2044-2048	0	0	371,508	0	92,066
2049-2050	0	0	148,603	0	9,208
Total	<u>\$30,920</u>	<u>\$198,000</u>	<u>\$2,377,653</u>	<u>\$104,914</u>	<u>\$552,391</u>

Note 11 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Note 12 – Financial Difficulties

The General Fund (\$22,933), Street Construction, Maintenance, and Repair Fund (\$47,461), Mayor’s Court Computer Fund (\$136), and the EMS fund (\$102,007) had cash deficit balances at December 31, 2018. The Village will monitor all expenditures of these funds.

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, 2017

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Other Local Taxes	\$29,273	\$733	\$30,006
Intergovernmental	29,887	55,228	85,115
Charges for Service	0	156,861	156,861
Fines, Licenses, and Permits	24,242	764	25,006
Earnings on Investments	1,257	0	1,257
Miscellaneous	1,475	7,096	8,571
Total Cash Receipts	86,134	220,682	306,816
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	41,011	808	41,819
Security of Persons and Property	47,644	225,486	273,130
Public Health Services	0	19,260	19,260
Leisure Time Activities	338	10	348
Transportation	0	25,492	25,492
Basis Utility Services	0	1,600	1,600
Capital Outlay	0	27,053	27,053
<i>Debt Service:</i>			
Principal	3,878	32,877	36,755
Interest and Fiscal Charges	176	6,387	6,563
Total Cash Disbursements	93,047	338,973	432,020
Cash Receipts Over (Under) Cash Disbursements	(6,913)	(118,291)	(125,204)
<u>Other Financing Sources (Uses):</u>			
Other Financing Uses	(55)	0	(55)
Sale of Capital Assets	0	218	218
Transfers In	0	1,479	1,479
Transfers Out	(1,479)	0	(1,479)
Total Other Financing Sources (Uses)	(1,534)	1,697	163
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses	(8,447)	(116,594)	(125,041)
Fund Cash Balances, January 1	(29,307)	28,205	(1,102)
Restricted	0	33,096	33,096
Committed	0	0	0
Assigned	13,091	14,830	27,921
Unassigned	(50,845)	(136,315)	(187,160)
Fund Cash Balances, December 31	(\$37,754)	(\$88,389)	(\$126,143)

See accompanying notes to the financial statements.

VILLAGE OF CORNING, PERRY COUNTY
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Fiduciary Fund Type		Totals
	Enterprise	Agency	
<u>Operating Cash Receipts:</u>			
Charges for Services	\$312,712	\$0	\$312,712
Total Operating Cash Receipts	312,712	0	312,712
<u>Operating Cash Disbursements:</u>			
Personal Services	76,176	0	76,176
Employee Fringe Benefits	17,992	0	17,992
Contractual Services	143,030	0	143,030
Supplies and Materials	12,577	0	12,577
Total Operating Cash Disbursements	249,775	0	249,775
Operating Income	62,937	0	62,937
<u>Non-Operating Cash Receipts (Disbursements):</u>			
Special Assessments	3,522	0	3,522
Proceeds from Loan	433,076	0	433,076
Sale of Capital Assets	2,023	0	2,023
Miscellaneous Receipts	6,344	0	6,344
Capital Outlay	(446,642)	0	(446,642)
Principal Retirement	(54,621)	0	(54,621)
Interest and Fiscal Charges	(53,149)	0	(53,149)
Other Financing Sources	0	24,961	24,961
Other Financing Uses	0	(24,961)	(24,961)
Total Non-Operating Cash Receipts (Disbursements)	(109,447)	0	(109,447)
Income (Loss) before Transfers	(46,510)	0	(46,510)
Transfers In	125,168	0	125,168
Transfers Out	(125,168)	0	(125,168)
Net Change in Fund Balances	(46,510)	0	(46,510)
Fund Cash Balances, January 1	524,075	68	524,143
Fund Cash Balances, December 31	\$477,565	\$68	\$477,633

See accompanying notes to the financial statements.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2017

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 maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

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.

State Highway Fund The State Highway Fund receives gasoline tax and motor vehicle tax money for maintaining areas adjacent to state highways that run through the village.

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, 2017

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, 2017

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 2017 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, 2017

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, 2017, budgetary expenditures exceeded appropriation authority in the General Fund by \$22,580, Street Construction Maintenance & Repair Fund by \$3,016, Cemetery Fund by \$15,257, Drug Law Enforcement Fund by \$285, EMS Fund by \$134,158, Fire Fund by \$24,302, Sewer Operating Fund by \$221,511, OPWC Fund by \$711, Capital Improvement Fund by \$1,991, and Other Enterprise Water Department Fund by \$4,747.

Also contrary to Ohio law, at December 31, 2017, the following funds had cash deficit balances: General Fund (\$29,307), Street Construction, Maintenance, and Repair Fund (\$21,981), Mayor's Court Computer Fund (\$375), and the EMS Fund (\$107,620).

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, 2017. Furthermore, appropriations exceeded estimated resources in several funds for the year ended December 31, 2017.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,055	\$86,134	\$15,079
Special Revenue	167,675	222,379	54,704
Enterprise	940,200	882,845	(57,355)
Total	\$1,178,930	\$1,191,358	\$12,428

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 4 - Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,000	\$94,581	(\$22,581)
Special Revenue	164,000	338,973	(174,973)
Enterprise	900,605	929,355	(28,750)
Total	\$1,136,605	\$1,362,909	(\$226,304)

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:

Demand deposits	2017
	\$351,490

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, 2017

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. 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 764 members as of December 31, 2017.

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, 2017 and 2016 (the latest information available):

	<u>2017</u>	<u>2016</u>
Assets	\$14,853,620	\$14,765,712
Liabilities	<u>(9,561,108)</u>	<u>(9,531,506)</u>
Members' Equity	<u>\$5,292,512</u>	<u>\$5,234,206</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, 2017

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, 2017.

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, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #CT601	\$38,650	0.00%
Ohio Public Works Commission Loan #CT78C	216,000	0.00%
Equipment Loan - Fire Truck	23,353	5.00%
United States Department of Agriculture Loan	1,394,000	3.75%
Equipment Loan - High Pressure Pump	5,317	4.25%
Equipment Loan - Police Cruiser	1,487	4.25%
Emergency Medical Service Vehicle Bond	105,013	3.99%
Equipment Loan - Mower	5,947	3.00%
OWDA Loan #7679	433,076	1.14%
Total	<u>\$2,222,843</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. The Ohio Water Development Authority loan relates to the water meter upgrades and the Telemetry Replacement.

Village of Corning
Perry County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2017

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
2018	\$16,243	\$3,790	\$1,588	\$3,984
2019	8,121	1,579	0	\$1,992
Total	<u>\$24,364</u>	<u>\$5,369</u>	<u>\$1,588</u>	<u>\$5,976</u>

Year Ending December 31:	OPWC #CT601	OPWC #CT78C	USDA	EMS Vehicle Bond
2018	\$7,730	\$18,000	\$74,302	\$16,783
2019	7,730	18,000	74,302	16,784
2020	7,730	18,000	74,302	16,783
2021	7,730	18,000	74,302	16,784
2022	7,730	18,000	74,302	16,784
2023-2027	0	90,000	371,508	37,779
2028-2032	0	36,000	371,508	0
2033-2037	0	0	371,508	0
2038-2042	0	0	371,508	0
2043-2047	0	0	371,508	0
2048-2050	0	0	222,905	0
Total	<u>\$38,650</u>	<u>\$216,000</u>	<u>\$2,451,955</u>	<u>\$121,697</u>

As of December 31, 2017, \$433,076 has been disbursed on the OWDA Loan #7679. No amortization schedule is available at this time.

Note 11 – Contingent Liabilities

Management believes there are no pending claims or lawsuits.

Note 12 – Financial Difficulties

The General Fund (\$29,307), Street Construction, Maintenance, and Repair Fund (\$21,981), Mayor's Court Computer Fund (\$375), and the EMS fund (\$107,620) had cash deficit balances at December 31, 2017. The Village will monitor all expenditures of these funds.

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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By Government Auditing Standards**

Village Council
Village of Corning, Perry County
P.O. Box 447
Corning, OH 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 Village of Corning, Perry County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 24, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We qualified our opinion on the Village's financial statements for the years ended December 31, 2018 and 2017 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 \$136,717 and \$156,861 for the years ended December 31, 2018 and 2017, 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 prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness. We consider finding 2018-001, 2018-002, 2018-004, and 2018-005 to be a material weaknesses.

Village Council
Village of Corning, Perry County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

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 grants, 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 2018-002 through 2018-004.

Entity's Response to Findings

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 24, 2019

VILLAGE OF CORNING, PERRY COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

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

Finding Number 2018-001

Financial Record Keeping - 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, 2018, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds.

<u>Fund</u>	<u>Appropriation Status Report</u>	<u>Budgeted Appropriations Per the UAN Accounting System</u>	<u>Variance</u>
General	\$75,040	\$85,000	(\$9,960)
Street Construction Maintenance & Repair	12,715	20,715	(8,000)
Computer	1,550	2,000	(450)
EMS	118,600	100,000	18,600
Fire	75,340	65,340	10,000
Sewer	185,060	111,060	74,000
Capital Improvement	10,000	2,000	8,000
USDA/RDA Debt Service Payment	0	74,000	(74,000)
Other Enterprise-Water Operating	176,875	156,000	20,875

At December 31, 2017, estimated resources approved by the Budget Commission did not agree to the Village's ledgers for the following funds.

<u>Fund</u>	<u>Estimated Receipts Per Last Amended Certificate</u>	<u>Budgeted Receipts Per the UAN Accounting System</u>	<u>Variance</u>
Parks	\$175	\$1	(\$174)
Other Enterprise-Water Operating	745,600	160,000	(585,600)

VILLAGE OF CORNING, PERRY COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-001 (Continued)

Financial Record Keeping - Material Weakness (Continued)

Fund	Appropriation Status Report	Budgeted Appropriations Per the UAN Accounting System	Variance
State Highway	\$11,100	\$5,000	\$6,100
Cemetery	3,000	5,000	(2,000)
Computer	3,000	2,000	1,000
Capital Improvement	0	10,000	(10,000)
Ohio Public Works Commission	0	32,000	(32,000)
USDA/RDA Debt Service Payment	0	74,275	(74,275)
Other Enterprise-Water Operating	132,000	612,330	(480,330)

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 2018-002

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.

VILLAGE OF CORNING, PERRY COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-002 (Continued)

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.

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 2018 and 2017, 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 2018 and 2017.

For the fiscal year ending December 31, 2018, the following misstatements were noted:

- Debt payments in the amounts of \$25,730 were improperly classified as Interest and Other Fiscal Charges rather than Principal.
- Intergovernmental receipts were improperly recorded as Other Revenue on the General financial statements in the amount of \$4,211.
- Intergovernmental receipts were improperly recorded as Other Revenue on the Special Revenue financial statements in the amount of \$2,211.
- During 2018, 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 \$26,411 and \$26,411, respectively.

For the fiscal year ending December 31, 2017, the following misstatements were noted:

- Homestead and rollback receipts, in the amount of \$6,437, were improperly recorded as Property Taxes rather than Intergovernmental receipts in the General Fund.
- Intergovernmental receipts were improperly recorded as Tax Revenue on the Special Revenue financial statements in the amount of \$159.
- 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 \$13,091.
- The Special Revenue Funds consisting of the State Highway and Fire Funds were incorrectly reported as Assigned fund balance rather than Restricted fund balances in the amounts of \$33,096.
- Debt Proceeds of \$433,076 for the OWDA loan was improperly classified as Special Assessments on the Enterprise financial statement.

VILLAGE OF CORNING, PERRY COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-002 (Continued)

- OWDA activity of \$434,468 was improperly classified as Other Financing Uses on the Enterprise financial statement.
- A debt payment of \$32,710 was improperly classified as Interest and Other Fiscal Charges rather than Principal in the Ohio Public Works Commission Fund.
- During 2017, 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 \$24,961.
- UAN beginning balance were adjusted due to prior audit adjustments not being made until 2018.

There were also adjustments and updates found to be needed in the notes to the financial statements. These adjustments, to which management has agreed, are reflected in the accompanying financial statements.

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 did not receive a response from Officials to the above finding.

Finding Number 2018-003

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 December 31, 2018, the following funds had negative cash fund balances:

- General Fund - \$22,933
- Street Construction Maintenance & Repair Fund - \$47,461
- Computer Fund - \$136
- EMS Fund - \$102,007

At December 31, 2017, the following funds had negative cash fund balances:

- General Fund - \$29,307
- Street Construction Maintenance & Repair Fund - \$21,981
- Computer Fund - \$375
- EMS Fund - \$107,620

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
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-004

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.

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

- The Village adopted temporary appropriation measures on December 14, 2017 and permanent appropriation measures on September 13, 2018 for 2018 and the Village adopted temporary appropriation measures on January 1, 2017 and permanent appropriation measures on April 4, 2017 for 2017.
- The Village did not provide evidence of a Certificate of Estimated Resources being adopted in council minutes for 2017.
- 2018 and 2017 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, 2018, appropriations exceeded estimated resources in the General Fund by \$13,091, Street Construction Maintenance & Repair Fund by \$27,071, Computer Fund by \$3,050 and EMS Fund by \$19,002.
- For the year ended December 31, 2018, expenditures plus outstanding commitments exceeded appropriations in the General Fund by \$2,529, Street Construction Maintenance & Repair Fund by \$28,299, State Highway Fund by \$733, Drug Law Enforcement Fund by \$409, Sewer Operating Fund by \$58,991, and USDA/RDA Debt Service Payments Fund by \$275.
- For the year ended December 31, 2017, expenditures plus outstanding commitments exceeded appropriations in the General Fund by \$7,829, Street Construction Maintenance & Repair Fund by \$922, Cemetery Fund by \$15,257, Drug Law Enforcement Fund by \$285, EMS Fund by \$114,408, Fire Fund by \$23,650, Sewer Operating Fund by \$15,948, OPWC Fund by \$711, and Capital Improvement Fund by \$1,991.

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.

VILLAGE OF CORNING, PERRY COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-004

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

Finding Number 2018-005

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, PERRY COUNTY
Schedule of Prior Audit Findings
For the Years Ended December 31, 2018 and 2017

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2016-001	Material Weakness – Support for utility account adjustments.	Corrected	N/A
2016-002	Noncompliance and Material Weakness – Documentation of Council approved pay rates.	Corrected	N/A
2016-003	Material Weakness – Inaccurate budgetary information posted to the accounting system.	Not Corrected	Reissued as Finding 2018-001
2016-004	Noncompliance and Material Weakness – Failure to maintain supporting documentation for Mayor’s Court Activity.	Corrected	N/A
2016-005	Material Weakness - audit adjustments were made to correct the Financial Statements.	Not Corrected	Reissued as Finding 2018-002
2016-006	Noncompliance – Timely payments to Ohio Public Employees Retirement System.	Corrected	N/A
2016-007	Noncompliance – Timely remittance to State for fines and fees collected by Mayor’s Court.	Corrected	N/A
2016-008	Noncompliance - Negative fund balances	Not Corrected	Reissued as Finding 2018-003
2016-009	Noncompliance – Transfers being formally approved by Council.	Partially Corrected	Moved to Management Letter
2016-010	Noncompliance and Material Weakness – Failure to properly follow ORC Chapter 5705.	Not Corrected	Reissued as Finding 2018-004
2016-011	Noncompliance and Material Weakness - Timely preparation of bank reconciliations.	Corrected	N/A
2016-012	Material Weakness – Failure to adequately monitor the activity of the Village by Village Council.	Corrected	N/A
2016-013	Material Weakness – Failure to implement controls over the completeness of EMS billings and receipts.	Not Corrected	Reissued as Finding 2018-005

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OHIO AUDITOR OF STATE
KEITH FABER



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
OCTOBER 8, 2019**