

**VILLAGE OF CORWIN
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003



**Auditor of State
Betty Montgomery**

Members of Council
Village of Corwin
PO Box 684
Waynesville, Ohio 45068

We have reviewed the *Independent Accountants' Report* of the Village of Corwin, Warren County, prepared by Knox & Knox for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 9, 2006

VILLAGE OF CORWIN
WARREN COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

The Village of Corwin
Warren County
P. O. Box 684
Waynesville, Ohio 45068

To the Village Council:

We have audited the accompanying financial statements of the Village of Corwin, Warren County, Ohio, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements, which are prescribed or permitted by the Auditor of the State of Ohio, are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the State of Ohio 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 under the accounting basis the Auditor of State permits. Our opinion of the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Corwin, Warren County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government 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 December 20, 2005, 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 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.

Knox & Knox

Orrville, Ohio
December 20, 2005

**VILLAGE OF CORWIN
WARREN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 29,233		\$ 29,233
Intergovernmental Receipts	6,148	\$ 10,559	16,707
Fines, Licenses, and Permits	1,372		1,372
Earnings on Investments	<u>317</u>		<u>317</u>
Total Cash Receipts	<u>37,070</u>	<u>10,559</u>	<u>47,629</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,464		3,464
General Government	<u>14,992</u>	<u>14,662</u>	<u>29,654</u>
Total Cash Disbursements	<u>18,456</u>	<u>14,662</u>	<u>33,118</u>
Total Cash Receipts Over Cash Disbursements	18,614	(4,103)	14,511
Fund Cash Balances, January 1	<u>45,960</u>	<u>11,229</u>	<u>57,189</u>
Fund Cash Balances, December 31	<u>\$ 64,574</u>	<u>\$ 7,126</u>	<u>\$ 71,700</u>

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

VILLAGE OF CORWIN
WARREN COUNTY

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

Operating Cash Receipts:	
Charges for Services	\$ 96,766
Miscellaneous	<u>825</u>
Total Operating Cash Receipts	<u>97,591</u>
Operating Cash Disbursements:	
Contractual Services	<u>95,347</u>
Total Operating Cash Disbursements	<u>95,347</u>
Operating Income	<u>2,244</u>
Fund Cash Balances, January 1	<u>46,846</u>
Fund Cash Balances, December 31	<u><u>\$ 49,090</u></u>

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

**VILLAGE OF CORWIN
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 22,928		\$ 22,928
Intergovernmental Receipts	6,013	\$ 4,878	10,891
Fines, Licenses, and Permits	1,164		1,164
Earnings on Investments	<u>474</u>		<u>474</u>
Total Cash Receipts	<u>30,579</u>	<u>4,878</u>	<u>35,457</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,439		3,439
Transportation		3,600	3,600
General Government	<u>10,925</u>		<u>10,925</u>
Total Cash Disbursements	<u>14,364</u>	<u>3,600</u>	<u>17,964</u>
Total Receipts Over (Under) Disbursements	16,215	1,278	17,493
Fund Cash Balances, January 1	<u>29,745</u>	<u>9,951</u>	<u>39,696</u>
Fund Cash Balances, December 31	<u><u>\$ 45,960</u></u>	<u><u>\$ 11,229</u></u>	<u><u>\$ 57,189</u></u>

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

VILLAGE OF CORWIN
WARREN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

Operating Cash Receipts:	
Charges for Services	<u>\$ 107,137</u>
Total Operating Cash Receipts	<u>107,137</u>
Operating Cash Disbursements:	
Contractual Services	<u>118,234</u>
Total Operating Cash Disbursements	118,234
Operating Income	<u>(11,097)</u>
Fund Cash Balances, January 1	<u>57,943</u>
Fund Cash Balances, December 31	<u><u>\$ 46,846</u></u>

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

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Corwin, Warren County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services. The Village contracts with Warren County to provide basic water and sewer utilities.

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

B. Basis of Accounting

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

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

C. Cash and Deposits

The Village maintains a checking account. The Village also has cash with fiscal agents. Monies are being held at Warren County for the water and sewer, which are not included in the financial statements.

D. Fund Accounting

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

2. Special Revenue Funds

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

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

3. Enterprise Funds

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

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

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds (Continued)

utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of this utility

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 of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law. However, the Village had no material encumbrances outstanding at December 31, 2004 and December 31, 2003.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 120,790	\$ 104,035

Deposits: Deposits are insured by the Federal Depository Insurance Corporation (FDIC) with amounts in excess of FDIC limits collateralized by the financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,500	\$ 37,070	\$ 17,570
Special Revenue	4,850	10,559	5,709
Enterprise	<u>110,000</u>	<u>95,591</u>	<u>(12,409)</u>
Total	<u>\$134,350</u>	<u>\$ 145,220</u>	<u>\$ 10,870</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 23,210	\$ 18,456	\$ 4,754
Special Revenue	15,500	14,662	838
Enterprise	<u>109,000</u>	<u>95,347</u>	<u>13,653</u>
Total	<u>\$ 147,710</u>	<u>\$ 128,465</u>	<u>\$ 19,245</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 25,500	\$ 30,579	\$ 5,079
Special Revenue	4,850	4,878	28
Enterprise	<u>60,000</u>	<u>107,137</u>	<u>47,137</u>
Total	<u>\$ 90,350</u>	<u>\$ 142,594</u>	<u>\$ 52,244</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 21,250	\$ 14,364	\$ 6,886
Special Revenue	4,000	3,600	400
Enterprise	<u>53,000</u>	<u>118,234</u>	<u>(65,234)</u>
Total	<u>\$ 78,250</u>	<u>\$ 136,198</u>	<u>(\$57,948)</u>

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. Budgetary Activity (Continued)

Expenditures exceeded appropriations.

4. PROPERTY TAX

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

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

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

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside the Village.

Employer's within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. FISCAL EMERGENCY

A fiscal emergency existed as of June 30, 1998, under Ohio revised Code, Section 118.03 (A)(5). On November 12, 1998, the Village of Corwin was declared to be in a state of fiscal emergency.

A Financial Planning Commission was appointed according to Chapter 118, Ohio Revised Code. The Financial Planning and Supervision Commission of the Village of Corwin contracted on February 16, 1999, with the Local Government Services Department of the office of the Auditor of State to act as the Financial Supervisor for the Village of Corwin as set forth in Chapter 118, Ohio Revised Code.

The Financial Supervisor is to provide financial oversight, accounting and reporting and general services in the following areas:

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. FISCAL EMERGENCY (Continued)

- Assist in preparation of tax budgets, appropriations and amended certificates;
- Assist in preparation of a financial plan including analyzing revenue sources to see if they are adequate to support anticipated expenditures;
- Assist in preparing five year financial forecast;
- Assist in preparing year end financial reports;
- Provide training and assistance in monthly reconciliations and maintaining of accounting ledgers;
- Assist in preparation of cash basis annual financial report for the years under audit;
- Attend monthly Commission meetings; and
- Monitor Village to ensure compliance with established procedures and spending levels.

The Financial Planning Commission ceased to exist as of September 29, 2005.

8. COMMITMENTS AND CONTINGENCIES

The Village is involved in a dispute with the Warren County Water and Sewer Department. Warren County is holding amounts in excess of payments as defined in agreements between the Village and Warren County, and claims that an amount is owed to it by the Village. Negotiations are being held to resolve these matters. The outcome is currently indeterminable.

9. SUBSEQUENT EVENTS

The rate of income taxation was reduced from 1% to .5% effective January 1, 2005, and collection was contracted to a service provider.

The Auditor of State terminated the Financial Planning and Supervision Commission of the Village of Corwin as of September 29, 2005.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Corwin
Warren County
P. O. Box 684
Waynesville, Ohio 45068

To the Village Council:

We have audited the accompanying financial statements of the Village of Corwin, Warren County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Corwin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Corwin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated December 20, 2005.

Village of Corwin
Warren County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
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This report is intended for the information and use of the audit committee, management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.

KNOX & KNOX

Orrville, Ohio
December 20, 2005

VILLAGE OF CORWIN
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (B) requires that no subdivision or taxing unit is to expend money unless it is properly appropriated.

Village expenditures exceeded appropriations at the fund level in the following instances at December 31, 2003.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Enterprise	\$ 53,000	\$ 118,234	(65,234)

**VILLAGE OF CORWIN
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Finding for recovery	yes	
2002-002	Finding for recovery	yes	
2002-003	Certification of funds	yes	
2002-004	Collection of income tax	yes	
2002-005	Expenditures exceed appropriations	no	Not corrected - repeated as finding 2004-01
2002-006	Destruction of records	yes	
2002-007	Incurring excess costs	yes	



**Auditor of State
Betty Montgomery**

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VILLAGE OF CORWIN

WARREN 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
FEBRUARY 9, 2006**