



**VILLAGE OF CORWIN
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CORWIN
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund Type – For the Year Ended December 31, 2000	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund Type – For the Year Ended December 31, 1999	6
Notes to the Financial Statements	7
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Village did not provide sufficient evidence supporting the water and sewer fund receipts recorded as charges for services in the Enterprise Fund in 1999 and the income tax receipts included as Property Tax and Other Local Taxes in the General Fund in 1999 or 2000. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the Water and Sewer Fund, Enterprise Fund Type, and income tax receipts of the General Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Water and Sewer Fund receipts represents 56% of receipts in the Enterprise Fund Type in 1999 and income tax receipts represent 47% and 38% of receipts recorded in the General Fund in 1999 and 2000, respectively.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amount recorded as charges for services in the Enterprise Fund in 1999 and the income tax receipts of the General Fund in 1999 and 2000, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As discussed in Note 7 to the financial statement, the Village is experiencing certain financial difficulties. Management's plans in regard to these matters are also describe in Note 7.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 12, 2001

**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, 2000**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$16,976	\$0	\$0	\$16,976
Intergovernmental Receipts	9,346	3,994	0	13,340
Fines, Licenses, and Permits	1,120	0	0	1,120
Earnings on Investments	986	0	0	986
Donations	0	0	54	54
 Total Cash Receipts	 28,428	 3,994	 54	 32,476
Cash Disbursements:				
Current:				
Security of Persons and Property	1,982	1,500	0	3,482
Transportation	0	2,180	0	2,180
General Government	9,453	0	0	9,453
Debt Service:				
Principal Payments	0	0	54,420	54,420
Interest Payments	1,000	0	5,380	6,380
Financing and Other Debt-Service Related	0	0	3,895	3,895
 Total Cash Disbursements	 12,435	 3,680	 63,695	 79,810
 Total Receipts Over/(Under) Disbursements	 15,993	 314	 (63,641)	 (47,334)
Other Financing Receipts/(Disbursements):				
Sale of Land	0	0	55,000	55,000
Transfers-In	0	0	9,000	9,000
Transfers-Out	(9,000)	0	0	(9,000)
 Total Other Financing Receipts/(Disbursements)	 (9,000)	 0	 64,000	 55,000
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 6,993	 314	 359	 7,666
 Fund Cash Balances January 1	 3,497	 4,725	 0	 8,222
 Fund Cash Balances, December 31	 \$10,490	 \$5,039	 \$359	 \$15,888

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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Cash Receipts:	
Charges for Services	<u>\$89,424</u>
Total Operating Cash Receipts	<u>89,424</u>
Operating Cash Disbursements:	
Contractual Services	<u>54,274</u>
Total Operating Cash Disbursements	<u>54,274</u>
Operating Income/(Loss)	<u>35,150</u>
Non-Operating Cash Receipts:	
Other non-operating receipts (Tap In Fees)	<u>33,250</u>
Total Non-Operating Cash Receipts	<u>33,250</u>
Non-Operating Cash Disbursements:	
Other non-operating cash disbursements (Tap In Fees)	<u>31,200</u>
Total Non-Operating Cash Disbursements	<u>31,200</u>
Net Receipts Over/(Under) Disbursements	37,200
Fund Cash Balances, January 1	<u>25,672</u>
Fund Cash Balances, December 31	<u><u>\$62,872</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, 1999**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$19,460	\$0	\$19,460
Intergovernmental Receipts	10,420	3,826	14,246
Fines, Licenses, and Permits	1,227	0	1,227
Earnings on Investments	480	0	480
	31,587	3,826	35,413
Cash Disbursements:			
Current:			
Security of Persons and Property	0	3,792	3,792
Transportation	0	2,680	2,680
General Government	5,310	0	5,310
Debt Service:			
Principal Payments	3,098	0	3,098
Interest Payments	6,597	0	6,597
	15,005	6,472	21,477
Total Receipts Over/(Under) Disbursements	16,582	(2,646)	13,936
Fund Cash Balances January 1	(13,085)	7,371	(5,714)
Fund Cash Balances, December 31	\$3,497	\$4,725	\$8,222

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 TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999

Operating Cash Receipts:	
Charges for Services	<u>\$40,246</u>
Total Operating Cash Receipts	<u>40,246</u>
Operating Cash Disbursements:	
Contractual Services	45,812
Supplies and Materials	<u>352</u>
Total Operating Cash Disbursements	<u>46,164</u>
Operating Income/(Loss)	<u>(5,918)</u>
Non-Operating Cash Receipts:	
Other non-operating receipts (Tap In Fees)	<u>37,300</u>
Total Non-Operating Cash Receipts	<u>37,300</u>
Non-Operating Cash Disbursements:	
Other non-operating cash disbursements (Tap In Fees)	<u>16,200</u>
Total Non-Operating Cash Disbursements	<u>16,200</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	15,182
Net Receipts Over/(Under) Disbursements	15,182
Fund Cash Balances, January 1	<u>10,490</u>
Fund Cash Balances, December 31	<u>\$25,672</u>

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

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

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-Mayor form of government. 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

Village funds are pooled in a checking account with a local commercial bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash and deposits 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 Fund

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

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

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following Debt Service Fund:

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service - This fund receives monies and makes payments related to the Village's debt.

4. Enterprise Funds

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

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

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing 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, 2000 and 1999.

A summary of 2000 and 1999 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, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$78,760</u>	<u>\$33,894</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,767	\$ 28,428	\$ 4,661
Special Revenue	4,370	3,994	(376)
Debt Service	67,665	64,054	(3,611)
Enterprise	68,600	122,674	54,074
Total	\$ 164,402	\$ 219,150	\$ 54,748

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 25,400	\$ 21,435	\$ 3,965
Special Revenue	4,000	3,680	320
Debt Service	78,065	63,695	14,370
Enterprise	93,906	85,474	8,432
Total	\$ 201,371	\$ 174,284	\$ 27,087

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 28,390	\$ 31,587	\$ 3,197
Special Revenue	4,910	3,826	(1,084)
Enterprise	47,000	77,546	30,546
Total	\$ 80,300	\$ 112,959	\$ 32,659

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 15,050	\$ 15,005	\$ 45
Special Revenue	6,000	6,472	(472)
Enterprise	37,450	62,364	(24,914)
Total	\$ 58,500	\$ 83,841	\$ (25,341)

Contrary to Ohio Law, the Village did not certify the availability of funds for certain purchase commitments and the Village had disbursements exceeding appropriations in 1999.

4. PROPERTY TAX

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

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Promissory Note	\$ 19,588	10%

The Mayor and Clerk/Treasurer of the Village of Corwin entered into a promissory note with an individual on behalf of the Village and received funds from that individual on September 20, 1997. The Note was in the amount of \$40,000, at 10% interest per year, payable annually and the principal due and payable on or before September 20, 2001, or on demand thereafter. This note was entered into by the Mayor and the Village Clerk/Treasurer prior to the passing of an ordinance approving the debt by Village Council. A special council meeting was held on September 24, 1997, for the purpose of passing Ordinance 97-03, a promissory note of \$40,000 to "assist the Village in paying its' past debts and future expenditures:

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

\$10,000 utility tap fee to housing development
\$15,000 black top fees and utility fees
\$15,000 for land (flood plain area) for future well fields.”

Promissory notes issued to individuals are not allowable for a village as defined in Chapter 133, Uniform Bond Law. Also, the Village did not use the proceeds of the note as defined in Ordinance 97-03. The Village retired \$20,412 of the promissory note during 1999 and 2000, and \$19,588 of the principal amount remains outstanding at December 31, 2000.

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

<u>Year ending December 31:</u>	<u>Promissory Note</u>
2001	<u>\$ 22,255</u>

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

7. FISCAL EMERGENCY

On May 20, 1998, the Local Government Services Department of the Auditor of State's Office concluded that the financial condition of the Village of Corwin as of December 31, 1997, met the conditions of a fiscal watch as outlined in Ohio Rev. Code, Section 118.022 (A) (2), and declared the Village in fiscal watch. A fiscal emergency analysis was also performed as of December 31, 1997 under Section 118.03 (A) (5). However, for a fiscal emergency to be declared, the condition must continue to exist at the time of a second analysis conducted by the Auditor of State, which is at least four-months after the year-end analysis.

A second fiscal analysis of the Village of Corwin was performed as of June 30, 1998. This analysis indicated that a fiscal emergency condition continued to exist 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.

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. FISCAL EMERGENCY (Continued)

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

- 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 will cease to exist when the Auditor of State determines that the conditions that existed to cause the fiscal emergency no longer exist.

8. WATER AND SEWER OPERATIONS DISCONTINUED

As a result of recommendations from the performance audit performed during the audit period, the Village passed control over the water and sewer system to Warren County in May 1999. In December 2000, the Village signed an agreement with Warren County regarding the operation of the water and sewer operations. Under this agreement, Warren County will bill and collect for water usage and maintain the distribution system, while the Village will be responsible for all capital improvements to the distribution system.

9. OTHER NONCOMPLIANCE

The Village did not retain certain records as required by Ohio Law.

The Village did not receive an income tax return from a substantial number of individuals as required by Village Ordinance.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**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, 2000 and 1999, and have issued our report thereon dated July 12, 2001, which was qualified for lack of supporting documentation for enterprise fund receipts in 1999 and income tax receipts as recorded in the General Fund in 2000 and 1999, and also noted that the Village was experiencing certain financial difficulties. Except for the restrictions on the scope of our audit of enterprise and income tax receipts, we conducted our audits 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'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30483-001 through 2000-30483-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 12, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely effect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-30483-001, 2000-30483-002, 2000-30483-004, and 2000-30483-005.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe reportable conditions 2000-30483-004 and 2000-30483-005 described above are material weaknesses. We also noted matters involving the internal control over financial reporting and its operation that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 12, 2001.

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

Jim Petro
Auditor of State

July 12, 2001

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30483-001

Material Noncompliance/Reportable Condition - Proper Encumbering

Ohio Rev. Code, Section 5705.41 (D), states that:

No subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same... has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This Section also provides two "exceptions" to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of certification, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without the affirmation of the Village Council, if such expenditure is otherwise valid.

In 1999, the Village did not certify the availability of funds before making purchase commitments or after using Then and Now Certificates. In 2000, the availability of funds were not certified for 33% of the purchases tested. Also in 2000, purchase orders were improperly encumbered for 10% of the purchases tested.

FINDING NUMBER 2000-30483-002

Material Noncompliance/Reportable Condition - Disbursements Exceeding Appropriations

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated.

The following funds had expenditures exceeding appropriations at December 31, 1999 in the following amounts: Water Fund (\$15,329) and Sewer Fund (\$9,585). The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve the increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2000-30483-003

Material Noncompliance - Debt

The Ohio Constitution, in providing for the organization of villages, requires the General Assembly to restrict their powers of borrowing money, contracting debts, and loaning their credit (Article XIII, Section 6 and Article XVIII, Section 13). These restrictions cannot be avoided by a municipality by ordinance, resolution or adoption of a home rule charter provision. The General Assembly, in fulfilling the Constitutional requirement to limit the ability of a village to incur debt, enacted Chapter 133 of the Ohio Revised Code. This chapter, also known as the Uniform Bond Law, relates to the debt limits of subdivisions generally and also limits the debt specifically of municipal corporations. Chapter 133 contains the different authorized methods in which a village may borrow money and contract debt. It also includes the general proposition that debt may not be entered into unless it is in anticipation of future revenues. Unless provided for in the code, a village may not incur debt.

The Village of Corwin executed a five-year promissory note with a private citizen whereby the Village received \$40,000 at a rate of ten percent interest per annum. The interest on this note was paid annually and the principal was due at the end of the five-year agreement. The Village entered into this agreement pursuant to Village Ordinance 97-03.

This type of debt issued is not specifically provided for in Chapter 133 of the Revised Code. Furthermore, the Village could not reasonably anticipate the revenues whereby the note would be repaid. As noted above, a village cannot supersede the limitations required by the Ohio Constitution and enacted by the General Assembly. As a result, the Village did not have the authority to enact Village Ordinance 97-03 and enter into the promissory note agreement.

FINDING NUMBER 2000-30483-004

Material Noncompliance/Material Weakness - Retention of Records

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, Sections 149-38 to 149.42.

The Village did not provide income tax records and utility receipt records. We were unable to audit the utility receipts as a result in 1999 and unable to obtain assurance from income tax records in 1999 or 2000.

The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location. Disposal of records should only be made in accordance with an approved records retention schedule.

FINDING NUMBER 2000-30483-005

Material Noncompliance/Material Weakness - Collection of Income Tax

Corwin Village Ordinance No. 143, (December 12, 1988), provides for the imposition of a one percent municipal income tax, filing of a tax return by all Village residents, collection of tax, and the appointment of a tax administrator.

56% of individuals did not file a return. The Village has not developed a method of obtaining income tax returns and tracking unpaid, delinquent accounts. No attempt was made to collect taxes due to the Village.

**FINDING NUMBER 2000-30483-005
 (Continued)**

An analysis of the officials who failed to file or pay income tax revealed that three out of eight officials failed to comply with the Village income tax ordinance.

Analysis of Elected Officials Filing Income Tax Forms			
Elected Officials	Position	Filed/Paid in 1999	Filed/Paid in 2000
Howard Purkey, Jr	Mayor	yes 12/2/99	yes 7/5/00
George Campbell	Council	yes 7/9/99	yes 7/10/00
Cheryl Davidson	Council	no (1)	yes 8/17/00
Susan Ghearing	Council	no (3)	no (3)
Lindsay Hatton	Council	yes 12/2/99	yes 4/28/00
Ray Lamb	Council	yes 10/18/99	yes 10/17/00
Dennis Oszakiewski	Council	no (1)	no (1)
Patrick Powers	Council	no (2) 5/6/99	no (3)
Beverly Campbell	Clerk-Treasurer	yes 7/9/99	yes 7/10/00

(1) Filed, but did not pay

(2) Paid, but did not file

(3) Did not file, did not pay

We recommend that the Village establish procedures to obtain income tax returns and pursue collection of delinquent accounts.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 27, 2001**