

**VILLAGE OF CORWIN
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Corwin
P. O. 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, 2007 through December 31, 2008. 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. 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 Auditor of State 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 Auditor of State 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 7, 2009

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VILLAGE OF CORWIN
WARREN COUNTY

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KNOX & KNOX

Accountants and Consultants

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, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, 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 described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. In addition to the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements. 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 GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years 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, 2008 and 2007, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, 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 do not opine on the internal control over financial reporting or on compliance, that reports describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
November 20, 2009

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, 2008

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$41,401		\$41,401
Intergovernmental	7,575	\$17,926	25,501
Licenses, Fees, and Permits	2,597		2,597
Earnings on Investments	3,885		3,885
	<u>55,458</u>	<u>17,926</u>	<u>73,384</u>
CASH DISBURSEMENTS			
Current:			
Security of Persons and Property	3,836		3,836
Transportation		3,484	3,484
General Government	22,921		22,921
	<u>26,757</u>	<u>3,484</u>	<u>30,241</u>
Total Receipts Over/(Under) Disbursements)	28,701	14,442	43,143
Fund Cash Balances, January 1	157,744	41,905	199,649
FUND CASH BALANCES, DECEMBER 31	<u><u>\$186,445</u></u>	<u><u>\$56,347</u></u>	<u><u>\$242,792</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, 2008

OPERATING CASH RECEIPTS	
Charges for Services	<u>\$35,039</u>
Total Operating Cash Receipts	<u>35,039</u>
OPERATING CASH DISBURSEMENTS	
Contractual Services	<u>35,192</u>
Total Operating Cash Disbursements	<u>35,192</u>
Operating Income/(Loss)	(153)
Fund Cash Balances, January 1	<u>5,405</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>5,252</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, 2007

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$88,610		\$88,610
Intergovernmental	6,243	\$16,809	23,052
Licenses, Fees, and Permits	10,695		10,695
Earnings on Investments	<u>3,082</u>		<u>3,082</u>
Total Cash Receipts	<u>108,630</u>	<u>16,809</u>	<u>125,439</u>
CASH DISBURSEMENTS			
Current:			
Security of Persons and Property	3,802		3,802
Transportation	163	1,935	2,098
General Government	<u>30,051</u>		<u>30,051</u>
Total Cash Disbursements	<u>34,016</u>	<u>1,935</u>	<u>35,951</u>
Total Receipts Over/(Under) Disbursements)	<u>74,614</u>	<u>14,874</u>	<u>89,488</u>
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Transfers-Out	<u>(6,000)</u>		<u>(6,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(6,000)</u>		<u>(6,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	68,614	14,874	83,488
Fund Cash Balances, January 1	<u>89,130</u>	<u>27,031</u>	<u>116,161</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$157,744</u></u>	<u><u>\$41,905</u></u>	<u><u>\$199,649</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, 2007

OPERATING CASH RECEIPTS	
Charges for Services	<u>\$33,523</u>
Total Operating Cash Receipts	<u>33,523</u>
OPERATING CASH DISBURSEMENTS	
Contractual Services	<u>34,118</u>
Total Operating Cash Disbursements	<u>34,118</u>
Operating Income/(Loss)	(595)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)	
Transfers-In	<u>6,000</u>
Total Other Financing Receipts/(Disbursements)	<u>6,000</u>
Net Receipts Over/(Under) Disbursements	5,405
Fund Cash Balances, January 1	<u> </u>
FUND CASH BALANCES, DECEMBER 31	<u><u>5,405</u></u>

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

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Corwin, Warren County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services. The Village contracts with Warren County to provide basic water and sewer utilities. In April 2006, Warren County assumed total operational control of the 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 and a certificate of deposit.

D. Fund Accounting

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

1. General Fund

The General fund 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.

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

3. Enterprise Fund

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 Fund:

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 department, division or office level of control, and within each the amount appropriated for personal services. 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 unencumbered 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. However, the Village had no material encumbrances outstanding at December 31, 2008 and December 31, 2007.

A summary of 2008 and 2007 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
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2008	2007
Demand deposits	\$158,044	\$120,054
Certificates of deposit	90,000	85,000
Total	\$248,044	\$205,054

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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,940	\$55,458	(\$155,482)
Special Revenue	53,604	17,926	(35,678)
Enterprise	5,405	35,039	29,634
Total	\$269,949	\$108,423	(\$161,526)

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,625	\$26,757	\$42,868
Special Revenue	17,000	3,484	13,516
Enterprise	40,000	35,192	4,808
Total	\$126,625	\$65,433	\$61,192

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,830	\$108,630	(\$53,200)
Special Revenue	38,730	16,809	(21,921)
Enterprise	25,500	39,523	14,023
Total	\$226,060	\$164,962	(\$61,098)

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

3. BUDGETARY ACTIVITY (continued)

Fund Type	2007 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,100	\$40,016	\$55,084
Special Revenue	12,000	1,935	10,065
Enterprise	31,250	34,118	(2,868)
Total	\$138,350	\$76,069	\$62,281

Contrary to Ohio law, expenditures exceeded appropriations in the Enterprise Fund type in 2007, and appropriations were greater than estimated revenues in the Enterprise Fund type in 2008.

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 for 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 owner, 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 .5 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

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

7. DEBT

There was no debt outstanding as of December 31, 2008 and 2007.

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KNOX & KNOX

Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
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, 2008 and 2007, and have issued our report thereon dated November 20, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we communicated to the Village's management in a separate letter dated November 20, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance that we must report under *Government Auditing Standards* which are shown in the accompanying schedule as Findings 2008-01 and 2008-02.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio
November 20, 2009

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-01

Noncompliance Citation

Ohio Revised 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, 2007.

	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Enterprise	2007	\$31,250	\$34,118	(\$2,868)

Client Response: Management will monitor expenditures to avoid overspending.

FINDING NUMBER 2008-02

Noncompliance Citation

Ohio Revised Code Section 5705.39 requires that total appropriations shall not exceed estimated resources. During 2008 appropriations exceeded estimated resources in the Enterprise Fund as follows

	<u>Year</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Enterprise	2008	\$40,000	\$10,810	(\$29,190)

Client Response: Management will monitor appropriations and estimated resources to avoid overspending.

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-01	Expenditures exceeded appropriations	No	Not Corrected - Repeated as Finding 2008-01



Mary Taylor, CPA
Auditor of State

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
DECEMBER 17, 2009**