



**Auditor of State
Betty Montgomery**

VILLAGE OF CORWIN
WARREN COUNTY

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**Auditor of State
Betty Montgomery**

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, 2002 and December 31, 2001. 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 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 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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2003 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 audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 25, 2003

**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, 2002**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$25,136	\$0	\$25,136
Intergovernmental Receipts	6,415	4,305	10,720
Charges for Services		150	150
Fines, Licenses, and Permits	995		995
Earnings on Investments	217		217
	<u>32,763</u>	<u>4,455</u>	<u>37,218</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,718		3,718
General Government	14,338	150	14,488
	<u>18,056</u>	<u>150</u>	<u>18,206</u>
Total Cash Disbursements	<u>18,056</u>	<u>150</u>	<u>18,206</u>
Total Receipts Over Disbursements	<u>14,707</u>	<u>4,305</u>	<u>19,012</u>
Fund Cash Balances, January 1	<u>15,038</u>	<u>5,646</u>	<u>20,684</u>
Fund Cash Balances, December 31	<u>\$29,745</u>	<u>\$9,951</u>	<u>\$39,696</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, 2002

Operating Cash Receipts:	
Charges for Services	\$82,720
Miscellaneous	<u>22,500</u>
Total Operating Cash Receipts	<u>105,220</u>
Operating Cash Disbursements:	
Contractual Services	<u>115,873</u>
Total Operating Cash Disbursements	<u>115,873</u>
Operating (Loss)	<u>(10,653)</u>
Fund Cash Balances, January 1	<u>68,596</u>
Fund Cash Balances, December 31	<u><u>\$57,943</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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$18,946	\$0	\$0	\$18,946
Intergovernmental Receipts	8,232	4,002		12,234
Fines, Licenses, and Permits	1,168			1,168
Earnings on Investments	1,989			1,989
	<u>30,335</u>	<u>4,002</u>	<u>0</u>	<u>34,337</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,383			2,383
Transportation		2,895		2,895
General Government	10,290			10,290
Debt Service:				
Principal Payments		2,500	10,119	12,619
Interest Payments			1,353	1,353
	<u>12,673</u>	<u>5,395</u>	<u>11,472</u>	<u>29,540</u>
Total Receipts Over/(Under) Disbursements	<u>17,662</u>	<u>(1,393)</u>	<u>(11,472)</u>	<u>4,797</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		2,000	11,113	13,113
Transfers-Out	(13,113)			(13,113)
Total Other Financing Receipts/(Disbursements)	<u>(13,113)</u>	<u>2,000</u>	<u>11,113</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,549	607	(359)	4,797
Fund Cash Balances, January 1	<u>10,489</u>	<u>5,039</u>	<u>359</u>	<u>15,887</u>
Fund Cash Balances, December 31	<u>\$15,038</u>	<u>\$5,646</u>	<u>\$0</u>	<u>\$20,684</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, 2001

Operating Cash Receipts:	
Charges for Services	\$56,054
Miscellaneous	<u>1,075</u>
Total Operating Cash Receipts	<u>57,129</u>
Operating Cash Disbursements:	
Contractual Services	<u>44,077</u>
Total Operating Cash Disbursements	<u>44,077</u>
Operating Income	<u>13,052</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>7,327</u>
Total Non-Operating Cash Disbursements	<u>7,327</u>
Excess of Receipts Over Disbursements	5,725
Fund Cash Balances, January 1	<u>62,871</u>
Fund Cash Balances, December 31	<u><u>\$68,596</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
DECEMBER 31, 2002 AND 2001**

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 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 has a checking account. Certificates of deposit are valued at cost. The Village also has cash with fiscal agents. Monies are being held at Warren County for the water and sewer, see Note 8.

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 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 Funds:

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

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

These funds are used to accumulate resources for the payment of loan and note indebtedness. The Village had one debt service fund during 2001. The Village did not use the fund in 2002 since all of their debt was paid off during 2001. This fund receives monies and makes payment 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, 2002 and December 31, 2001.

A summary of 2002 and 2001 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, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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:

	2002	2001
Demand deposits	\$97,639	\$89,280

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,500	\$32,763	\$7,263
Special Revenue	4,850	4,455	(395)
Enterprise	60,000	105,220	45,220
Total	\$90,350	\$142,438	\$52,088

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$19,900	\$18,056	\$1,844
Special Revenue	3,900	150	3,750
Enterprise	56,500	115,873	(59,373)
Total	\$80,300	\$134,079	(\$53,779)

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,450	\$30,335	\$1,885
Special Revenue	4,850	6,002	1,152
Debt Service	20,000	11,113	(8,887)
Enterprise	85,000	57,129	(27,871)
Total	\$138,300	\$104,579	(\$33,721)

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,714	\$25,786	\$7,928
Special Revenue	3,200	5,395	(2,195)
Debt Service	20,359	11,472	8,887
Enterprise	108,300	51,404	56,896
Total	\$165,573	\$94,057	\$71,516

The Village did not amend estimated resources as required by Ohio Law.

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 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. 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 of the Village.

Employers 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.

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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:

- 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. CASH WITH FISCAL AGENT

At December 31, 2002, Warren County held \$9,629 in Village monies. The amounts held by Warren County represent amounts paid by the Village to Warren County in excess of the payments defined in water and sewer contracts between the Village and the County. The County has indicated that they intend to apply these monies to the Village's outstanding balances for Water and Sewer accounts described in Note 9. The amount of cash held was \$8,542 for water and \$1,087 for sewer. These monies are not reflected on the financial statements.

**VILLAGE OF CORWIN
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. OUTSTANDING BALANCE OWED TO WARREN COUNTY

According to Warren County Water and Sewer Department records, at December 31, 2002, the Village owed Warren County \$61,519 because the County erroneously posted individual utility customer payments to the Village account. Village management believes that water billings from the County have not been consistent with an operating agreement between the Village and the Warren County Water and Sewer Department. The Village's Fiscal Planning Commission has contacted the Ohio Attorney General's office to review the terms of the operating agreement and the billings by the Warren County Water and Sewer Department.

10. COMPLIANCE

Certain Village officials did not file income taxes. Other Village officials did not pay the correct amount.

All income tax records were not maintained.



**Auditor of State
Betty Montgomery**

**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, 2002 and December 31, 2001, and have issued our report thereon dated June 25, 2003. 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'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 as items 2002-001 through 2002-006.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 25, 2003.

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 judgment, could adversely affect Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-004 and 2002-007.

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 that reportable condition 2002-004 described above is a material weakness.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 25, 2003

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Finding for Recovery – Repaid Under Audit

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. Paragraph 3 a states that the tax applies to all salaries, wages, commissions and other compensation earned.

During 2002, Howard Purkey, Jr., Mayor, submitted his 2000 Village income tax forms. He failed to attach his W-2s to the return as evidence of his salaries, wages, commissions, and other compensation, and instead attached his federal income tax return. He based the amount of taxes he paid to the Village of Corwin on his federal taxable income. Based on his adjusted gross income, which reflects his taxable income more accurately than his federal taxable income, Mr. Purkey should have paid a total of four hundred thirty-six dollars (\$436) to the Village of Corwin. As of June 20, 2003, Mr. Purkey paid the entire amount owed with \$178 paid on March 29, 2002 and \$258 paid under audit.

FINDING NUMBER 2002-002

Finding for Recovery

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. Paragraph 15 states that no credit for any income tax paid to another municipality shall be granted.

However, Dennis Oszakiewski, Council Member, calculated his village income taxes by taking a credit for income taxes paid to the City of Columbus and did not use his local wages to figure his income taxes. Mr. Oszakiewski should have paid seven hundred twenty-six dollars (\$726) for his 2000 income taxes and seven hundred ninety-one dollars (\$791) for his 2001 income taxes.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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 need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the 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.

**FINDING NUMBER 2002-003
 (Continued)**

- B. If the amount involved is less than one thousand dollars and less than three thousand dollars as of April 7, 2003, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for eighty-nine percent of its expenditures tested. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the proper certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

FINDING NUMBER 2002-004

Material Noncompliance/Material Weakness

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

Based on Village residents identified from county water and sewer billing, records and available income tax files, seventy-three percent of individuals in 2001 and seventy-nine percent of individuals in 2002 did not file a return. The Village has not developed a method of tracking unpaid, delinquent accounts. No attempt was made to collect taxes due to the Village.

The Village of Corwin does not maintain a master list of the residents or businesses that are located within the Village's corporation limits. Without a master list, there is no way to determine who should be filing and/or paying income taxes to the Village. An analysis of the officials who failed to file or pay income tax revealed that that four out of nine officials failed to comply with the Village income tax ordinance.

Analysis of Elected Officials Filing Income Tax Forms			
Elected Officials	Position	Filed/Paid for 2001	Filed/Paid for 2002
Howard Purkey, Jr.	Mayor	Yes 3/29/02 (1)	No
Brian Powers	Council	No	No
Susie Ghearing	Council	No	No
Cheryl Davidson	Council	No	No
George Campbell	Council	Yes 6/8/01	Yes 4/30/02
Lindsey Hatton	Council	Yes 5/2/01	Yes
Dennis Oszakiewski	Council	Yes (1)	Yes (1)
Ray Lamb	Council	Yes 11/2/01	Yes 11/12/02
Beverly Campbell	Clerk/Treasurer	Yes 6/8/01	Yes 4/30/02

(1) Filed, but did not correctly calculate taxes

The Village's failure to monitor income taxes could result in missed revenues for the Village. This increase in revenues could help the Village get out of fiscal emergency. Based on an average income of \$25,000 to \$30,000 and 127 residents, the revenues could be \$31,750 to \$38,100.

**FINDING NUMBER 2002-004
(Continued)**

We recommend that the Village maintain a master list of residents. This list should be used to monitor payment of taxes. If residents on the list did not pay their income taxes, the Village should actively pursue these accounts. The Village should hire a person or organization to monitor the payment of income taxes.

FINDING NUMBER 2002-005

Material Noncompliance

Ohio Rev. Code Section 5705.41 (B), states no taxing authority shall make any expenditures of money unless it has been appropriated.

The Village had expenditures that exceeded appropriations at various times during the audit period.

At year end for 2002 and 2001, the Village had the following variances:

Fund	Appropriations	Disbursements	Variance
Water – 2002	\$39,500	\$79,458	(\$39,958)
Sewer – 2002	\$17,000	\$36,415	(\$19,415)
Street – 2001	\$3,200	\$5,395	(\$2,195)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-006

Material Noncompliance

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 to support receipt collections for twenty-six percent in 2002 and forty-one percent in 2001.

Failure to maintain income tax records could result in lack of accountability.

We recommend that the Village 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 2002-007

Reportable Condition

The Warren County Water and Sewer Department (County) provides water and sewer services to the Village of Corwin according to an operating agreement between the Village and County. According to this agreement, the County reads the main meters to determine the water and sewer services provided to the Village, and the County reads the individual customer meters to determine services provided to the individual customers. The County bills individual customers in the Village, and calculates either an amount owed by the Village to the County (for Village charges calculated from the reading of the main meter in excess of amounts billed to the individual customers) or an amount owed by the County to the Village (for amounts billed to the individual customers in excess of the Village charges calculated from the main meter reading).

An analysis of County Water and Sewer Department records indicate that during the period from May 2002 to May 2003, the Village was billed an additional \$3,100 for charges calculated from the reading of the main meter in excess of amounts billed to the individual customers. Village management indicated that they do not believe that certain billings by the County are accurate or in accordance with the operating agreement. The Village's Fiscal Planning Commission has contacted the Ohio Attorney General's office to review the terms of the operating agreement and the billings by the Warren County Water and Sewer Department.

According to an analysis of County Water and Sewer Department records, the Village could be incurring excess costs under the current operating agreement. We recommend that the Village work with the County to resolve questionable billings by the County; and consider the possibility of renegotiating the current operating agreement to simplify the billing process and reduce Village expenses related Water and Sewer services.

**VILLAGE OF CORWIN
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2002 AND DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30483-001	Proper encumbering	No	Not corrected – repeated as finding 2002-003
2000-30483-002	Disbursements exceeding appropriations	No	Not corrected – repeated as finding 2002-006
2000-30483-003	Debt	Yes	Finding no longer valid. Debt paid off during 2001
2000-30483-004	Destruction of records	No	Repeated as finding – 2002-007
2000-30483-005	Collection of income tax	No	Not corrected – repeated as finding 2002-004



**Auditor of State
Betty Montgomery**

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 16, 2003**