

**VILLAGE OF CORWIN
WARREN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



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, CPAs, for the audit period January 1, 2005 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 12, 2008

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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, 2006 and 2005. 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, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, 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, 2006 and 2005 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, 2006 and 2005, 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, 2006 and 2005, 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 9, 2007, 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 9, 2007

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, 2006

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$40,838		\$40,838
Intergovernmental	5,736	\$13,527	19,263
Fines, Licenses, and Permits	1,979		1,979
Earnings on Investments	1,358		1,358
	<u>49,911</u>	<u>13,527</u>	<u>63,438</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	3,535		3,535
Community Environment	2,139		2,139
Transportation	762	90	852
General Government	47,279		47,279
	<u>53,715</u>	<u>90</u>	<u>53,805</u>
Total Cash Disbursements	<u>53,715</u>	<u>90</u>	<u>53,805</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,804)	13,437	9,633
Fund Cash Balances, January 1	<u>92,934</u>	<u>13,594</u>	<u>106,528</u>
FUND CASH BALANCES DECEMBER 31	<u><u>\$89,130</u></u>	<u><u>\$27,031</u></u>	<u><u>\$116,161</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, 2006

OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$ 18,838</u>
Total Operating Cash Receipts	<u>18,838</u>
OPERATING CASH DISBURSEMENTS:	
Contractual Services	<u>64,258</u>
Total Operating Cash Disbursements	<u>64,258</u>
Operating Income/(Loss)	(45,420)
Fund Cash Balances, January 1	<u>45,420</u>
FUND CASH BALANCES DECEMBER 31	<u><u> </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, 2005

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$60,979		\$60,979
Intergovernmental	6,082	\$9,085	15,167
Fines, Licenses, and Permits	1,343		1,343
Earnings on Investments	1,258		1,258
	<u>69,662</u>	<u>9,085</u>	<u>78,747</u>
Total Cash Receipts			
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	3,471		3,471
Transportation	14,664	2,617	17,281
General Government	23,167		23,167
	<u>41,302</u>	<u>2,617</u>	<u>43,919</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	28,360	6,468	34,828
Fund Cash Balances, January 1	64,574	7,126	71,700
FUND CASH BALANCES DECEMBER 31	<u>\$92,934</u>	<u>\$13,594</u>	<u>\$106,528</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, 2005

OPERATING CASH RECEIPTS:	
Charges for Services	<u>\$92,723</u>
Total Operating Cash Receipts	<u>92,723</u>
OPERATING CASH DISBURSEMENTS:	
Contractual Services	<u>96,393</u>
Total Operating Cash Disbursements	<u>96,393</u>
Operating Income/(Loss)	(3,670)
Fund Cash Balances, January 1	<u>49,090</u>
FUND CASH BALANCES DECEMBER 31	<u><u>\$45,420</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, 2006 and 2005

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 (acquired in 2006).

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, 2006 and 2005

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, function or object level of, 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 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, 2006 and December 31, 2005..

A summary of 2006 and 2005 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, 2006 and 2005

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:

	2006	2005
Demand deposits	\$41,161	\$151,948
Certificate of deposit	75,000	
Total	\$116,161	\$151,948

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, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,800	\$49,911	\$6,111
Special Revenue	11,700	13,527	1,827
Enterprise	154,000	18,838	(135,162)
Total	\$209,500	\$82,276	(\$127,224)

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,100	\$53,715	\$39,385
Special Revenue	12,000	90	11,910
Enterprise	45,830	64,258	(18,428)
Total	\$150,930	\$118,063	\$32,867

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,500	\$69,662	\$35,162
Special Revenue	5,000	9,085	4,085
Enterprise	53,000	92,723	39,723
Total	\$92,500	\$171,470	\$78,970

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

<u>Fund Type</u>	2005 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,600	\$41,302	\$10,298
Special Revenue	7,800	2,617	5,183
Enterprise	67,000	96,393	(29,393)
Total	\$126,400	\$140,312	\$13,912

Contrary to Ohio law, expenditures exceeded appropriations in the Enterprise Fund Type in 2006 and 2005.

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.

VILLAGE OF CORWIN
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

7. FISCAL EMERGENCY

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

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

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

- 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 to monthly reconciliations and maintaining of accounting ledgers;
- Assist in preparation of cash basis annual financial report for the years under audit;
- Attend monthly Commission meetings; and
- Monitor Village to ensure compliance with established procedures and spending levels.

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

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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, 2006 and 2005, and have issued our report thereon dated November 9, 2007, 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 9, 2007.

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 one instance of noncompliance that we must report under *Government Auditing Standards* which is shown in the accompanying schedule as Finding 2006-01.

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 9, 2007

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-01

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, 2006 and 2005.

	<u>Year</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Enterprise (A)	2006	\$45,830	\$64,258	(\$18,428)
Enterprise (B)	2005	\$67,000	\$96,393	(\$29,393)
(A) water		\$41,880	\$50,610	(\$8,730)
(A) sewer		\$3,950	\$13,648	(\$9,698)
(B) water		\$40,000	\$49,437	(\$9,437)
(B) sewer		\$27,000	\$46,956	(\$19,956)

Client Response: Management will monitor expenditures to avoid overspending.

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-01	Expenditures exceeded appropriations	No	Not Corrected - Repeated as Finding 2006-01



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
MARCH 6, 2008**