



**Auditor of State
Betty Montgomery**

**Village of Corwin
Warren County, Ohio**

Fiscal Emergency Termination

Local Government Services Section

Village of Corwin - Warren County

Fiscal Emergency Termination

Table of Contents

	Page
Certification	1
Report on Termination of the Village of Corwin Financial Planning and Supervision Commission	
Termination of Fiscal Emergency	3
Financial Accounting and Reporting System.....	3
Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions	11
The Financial Plan Objectives	14
The Financial Forecast	15
Disclaimer	15
Appendix A	
Village of Corwin Financial Forecast For the Years Ending December 31, 2005 through December 31, 2009	

This Page left Blank, Intentionally



**Auditor of State
Betty Montgomery**

CERTIFICATION

Pursuant to a request to the Auditor of State by the Financial Planning and Supervision Commission of the Village of Corwin to terminate the Commission, the Auditor of State has performed an analysis and has determined that the Village of Corwin has met the conditions set forth in Section 118.27(A)(1), (2), (3), and (4), Revised Code. Therefore, the existence of the Village of Corwin Financial Planning and Supervision Commission and its role in the operation of the Village of Corwin is terminated as of September 29, 2005.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Cheryl Davidson, Mayor of the Village of Corwin, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, Jennette Bradley, Treasurer of State, J. Kenneth Blackwell, Secretary of State, and Nick Nelson, Warren County Auditor.

At the time of termination of the Commission, an effective financial accounting and reporting system has not been fully implemented. Pursuant to Section 118.27(A)(2), Revised Code, the Auditor of State will monitor the progress of implementation and exercise authority under this section and Chapter 117, Revised Code, to secure full implementation within two years.

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

Betty Montgomery
Auditor of State

September 26, 2005

This Page left Blank, Intentionally

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Report on Termination of the Corwin Financial Planning and Supervision Commission

At the request of the Financial Planning and Supervision Commission of the Village of Corwin (the Commission), Warren County, Ohio, as provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine whether the Commission and its functions under Chapter 118 of the Ohio Revised Code should be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A), Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter, shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) Planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) Corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to section 118.04 of the Ohio Revised Code, and no new emergency conditions have occurred...; (3) Met the objectives of the financial plan described in section 118.06 of the Ohio Revised Code; and (4) the municipal corporation...has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”

Results of our work under section 118.27(A), Ohio Revised Code, are as follows:

Section I of this report indicates that the Village has effectively implemented or is in the process of implementing corrections to its financial accounting system in accordance with section 118.10(A) of the Ohio Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under section 118.04 of the Ohio Revised Code. This analysis can be found in Section II beginning on page 10.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with section 118.06 of the Ohio Revised Code. Specific conclusions can be found on page 14.

We examined and issued a non-adverse report on the five-year forecast issued by the Village. The forecast can be found in Appendix A.

Based on this analysis, the Auditor of State’s Office has determined that the Financial Planning and Supervision Commission and its functions may be terminated.

It is understood that this report’s determination is for the use of the Financial Planning and Supervision Commission of the Village of Corwin, the Auditor of State of Ohio, the Governor of Ohio, the Mayor of the Village of Corwin, and others as designated by the Auditor of State, and is not to be used for any other purpose. Our procedures and findings follow.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

SECTION 1. Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A), Revised Code, assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Corwin (Village) and issued an Accounting Report, dated February 26, 1999. The report identified areas where the Village's financial accounting and reporting system was not in compliance with Section 117.43, Revised Code, or the requirements of the Auditor of State.

The criteria for termination of the Commission include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation and is expected to be completed within two years. To arrive at this determination we confirmed the actions taken by management to address the issues identified in the Financial Accounting Report. A summary of the areas requiring corrective action by management and the actions that have been taken by management to address those issues is presented below.

Budgetary Process:

Auditor of State Comment from Financial Accounting Report:

Section 5705.38 of the Revised Code requires that the taxing authority adopt temporary appropriations on or about January 1, of each year, and pass permanent appropriations by April 1, of each year. Section 5705.41(B) Revised Code prohibits a subdivision from making an expenditure unless it has been properly appropriated. No appropriation ordinances for 1997, 1998, and 1999 have been adopted by the Village Council; therefore, all expenditures exceeded appropriations.

Current Status:

The Council adopted temporary appropriations for 2004 and 2005 by January 1 and passed permanent appropriations on March 8 and March 14, respectively. At December 31, 2004, the Village had expenditures exceeding appropriations in violation of Section 5705.41(B) Revised Code, in the Street Maintenance and Repair Fund and the Sewer Fund.

In Process:

The Village Clerk has not been posting budgeted amounts within the receipt and appropriation ledgers. The Village Clerk has begun entering budgetary amounts from the amended certificate and Council approved appropriations into the receipt and appropriation ledgers, respectively.

Auditor of State Comment from Financial Accounting Report:

Section 5705.41(D) of the Revised Code prohibits the taxing authority from making any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Clerk-Treasurer that the amount required to meet the expenditure 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. The Village has not complied with this requirement for the past two years. Every such contract made without such a certificate is null and void and no check may be issued in payment of any amount due under the contract. Also, Rule 117-5-13 of the Ohio Administrative Code prescribes the utilization of purchase orders for all expenditures.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

The Village should make every effort to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber can result in the overspending of funds and negative cash fund balances.

In Process:

The Village has begun using purchase orders and properly encumbering. Additional training has been provided included information on statutory requirements for the different purchase orders and posting purchase orders to the appropriation ledger. The Auditor of State will monitor the implementation of purchase orders by the Village.

Auditor of State Comment from Financial Accounting Report:

Section 5705.36 of the Revised Code states that on or about the first day of each fiscal year, the Clerk-Treasurer shall certify to the County Auditor the total amount from all sources available for expenditure from each fund set up in the tax budget with any balances that existed at the end of the preceding year. The Village did not report this information at the fund level as required.

Current Status:

The Clerk-Treasurer certified to the County Auditor the total amount from all sources available for expenditure from each fund for 2004 and 2005 on January 27, 2004 and January 25, 2005, respectively.

Chart of Fund and Account Codes:

Auditor of State Comment from Financial Accounting Report:

The funds of the Village are authorized by Section 5705.09, Revised Code, and include the following:

General Fund

General Fund

Special Revenue Funds

Street Construction, Maintenance and repair
Permissive Motor Vehicle License Tax

Enterprise

Water
Sewer

Rule 117-5-01 provides that each Village which employs a cash basis of accounting shall employ the uniform system of accounting prescribed by rules 117-5-01 to 117-5-18 of the Administrative Code. Among the items provided by these rules are guidelines pertaining to the classification of Village receipts and expenditures. The Village of Corwin's current system of accounting does not provide for the classification of receipts and disbursements in accordance with the aforementioned rules.

The Village does not utilize account codes. Instead, the fund names are used on vouchers and receipts as a means of determining where expenditures will be charged. This is a major weakness of the accounting system of the Village of Corwin and a violation of the Administrative Code.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Current Status:

In 2005, the Village Clerk included the appropriate account codes within the receipt and appropriation ledgers for 2005 as well as noting them on the vouchers and receipts.

Accounting Ledgers:

Auditor of State Comment from Financial Accounting Report:

Rule 117-5-09 to 117-5-11 of the Ohio Administrative Code provide guidelines for the proper and complete maintenance of a village cash journal, receipts ledger, and appropriations ledger. For the years 1997 and 1998 the Village did not maintain the cash journal and ledgers. In April 1998, the Clerk-Treasurer resigned and the cash journal was maintained by the Mayor until a Clerk-Treasurer was appointed in July 1998.

Current Status:

The current Clerk-Treasurer maintains a cash journal and receipts and appropriations ledgers for the Village.

Auditor of State Comment from Financial Accounting Report:

The Clerk-Treasurer handles all the financial record keeping including receipting, posting and reconciling to the depository. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, booking errors may occur without detection in a timely manner. To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc.), to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes and documents should be initialed by the reviewer.

Current Status:

Beginning in June of 2005, the Clerk-Treasurer submits monthly financial reports to the Council and Mayor. These reports show the month's individual receipts and expenditures as well as the fund balances and bank reconciliation. Review and approval of these reports by Council is noted in the minutes and is documented with initials of the reviewer on the reports.

Revenue Transactions:

Auditor of State Comment from Financial Accounting Report:

Section 9.38 of the Revised Code requires the Clerk-Treasurer to deposit all public monies into a properly designated depository once every twenty-four hours. The Clerk-Treasurer does not always deposit monies with the depository on a daily basis which has resulted in lost or misplaced monies and checks being voided due to untimely deposit to the bank. The monies received should be kept under lock and key until deposited to the bank.

Current Status:

The Clerk-Treasurer makes deposits to the bank on a daily basis.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Auditor of State Comment from Financial Accounting Report:

Corwin Village Ordinance No. 143, passed December 12, 1998 provides for the imposition of a one percent income tax, the filling of a tax return by all village residents, the collection of the tax, and the appointment of a tax administrator. Since the inception of this ordinance, the majority of taxes collected are from the quarterly returns submitted by the various businesses operating within the Village limits. A large majority of the residents do not file returns and no attempts are made by the Village to collect the taxes due.

Current Status:

Corwin Village Ordinance No. 2005-01, passed January 10, 2005, approved the City of Franklin to be the administrator of the Village's income tax. The City of Franklin during 2005 has made attempts to receive tax returns and collect taxes due from the Village of Corwin residents. For those residents who have not paid income taxes, the City of Franklin has sent two different notices of failure to file as well as account statements. The second notice was sent on July 8, 2005. The next course of action will be to refer those that have not filed and paid income tax within the Village to the court system.

Auditor of State Comment from Financial Accounting Report:

The Village has one individual to read meters and record water usage. This person gives the usage information to the individual who types the utility bill who gives the bills to the Clerk-Treasurer for mailing. The Clerk-Treasurer records the amount of the bills per customer so that she can verify that the amount received was the amount billed. The Clerk-Treasurer sends out notices on delinquent utility bills informing the customer that their services will be shut off and there is \$25 disconnect charge that will be assessed. No other penalties or interest is assessed.

To improve accountability over utility revenues and lessen the chance of errors occurring and not being detected, the Village should implement the following procedures:

- 1) A subsidiary ledger should be maintained to account for utility customers. This ledger should include the customer's name, usage, amount billed, date paid, the amount of receipts collected and the amount outstanding;
- 2) All entries should be posted in chronological order, and month-to-date and year-to-date totals should be entered;
- 3) The subsidiary ledger should be reconciled with deposits on a monthly basis;

Implementation of these procedures will add a substantial measure of control to the utility receipts process, helping to insure that the utility activity is properly handled and fairly presented on the Village's ledgers and financial records.

Current Status:

In 2000, the Village contracted with Warren County to administer water and sewer services to the Village residents. Through this contract, the County reads the meters, bills the utility customers, maintains customer accounts, and collects utility payments for the Village.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Purchasing Process:

Auditor of State Comment from Financial Accounting Report:

Vouchers do not always clearly indicate the items, quantities, and unit of cost of each item. Also, the vouchers do not include the appropriation code but only the fund name from which the check will be drawn.

Current Status:

The Village Clerk-Treasurer indicates the items, quantities, unit of cost of each item, and the appropriate account code on the vouchers.

Cash Expenditures:

Auditor of State Comment from Financial Accounting Report:

Proper documentation was not always attached to the vouchers to support the validity of the expenditure; no documentation was presented that the disbursements were authorized before payment; no prior approval of bill payments was noted in the minutes. These procedures do not ensure proper safeguards over expenditures. Also, it could not be determined what items or services were purchased and if it was for a proper public purpose.

The Village should attach invoices to the vouchers to support the validity of the expenditures and they should institute proper procedures to document approval of the payment of bills. These procedures should include the approval of all bills being noted in the minutes.

Current Status:

Invoices were attached to vouchers to support the validity of the expenditures. Also, each month a list of vouchers approved by Council is included in the minutes.

Auditor of State Comment from Financial Accounting Report:

The invoices are not recomputed for accuracy.

Current Status:

The Village Clerk-Treasurer re-computes invoices for accuracy before payment.

Debt Administration

Auditor of State Comment from Financial Accounting Report:

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 credit. (Article XIII, Section 6 and Article XVIII, section 13). These restrictions cannot be avoided by a municipality by ordinance, resolution, or adopting 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 of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

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 payable annually, and the principle 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 is not specifically provided for in Chapter 133 of the Revised Code. The 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 a promissory note agreement.

Current Status:

In 2001, the Village paid off its debt obligation and has not issued any new debt.

Capital Assets and Supplies Inventories

Auditor of State Comment from Financial Accounting Report:

Once the Village acquires fixed assets a fixed asset accounting policy should be established. An inventory should be maintained to aid in the following:

- a. An adequate amount of insurance coverage;
- b. That assets are used in the most efficient manner;
- c. Whether idle assets exist that could be sold to generate additional revenue; or,
- d. Identifying the loss or theft of an asset.

Current Status:

The Village continues to have only the Town Hall and land as fixed assets. Therefore, the Village has not established a fixed asset accounting policy.

Cash Management and Investing

Auditor of State Comment from Financial Accounting Report:

The reconciliation process has not been completed timely. As of January 1999, the most recent bank reconciliation was for the month of June 1998. With instruction and guidance, the Clerk-Treasurer has now reconciled through December 1998.

Current Status:

The Clerk-Treasurer reconciles the cash journal to the bank statement on a monthly basis.

Auditor of State Comment from Financial Accounting Report:

The Village of Corwin currently does not invest any money because their cash balances are too small. They do utilize an interest bearing checking account.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Current Status:

The Village has invested and reinvested in a thirty day certificate of deposit since January of 2005.

Financial Reporting:

Auditor of State Comment from Financial Accounting Report:

The Village has not submitted an annual financial report since 1990. Section 117.38 of the Revised Code provides for a penalty to be assessed against any public office that does not file its financial report. This penalty is \$25 up to a maximum annual penalty of \$750.

Current Status:

The Village submitted their 2004 annual financial report to the Auditor of State on February 23, 2005.

Auditor of State Comment from Financial Accounting Report:

Interim financial reporting to Council is not done by the Clerk-Treasurer.

Current Status:

Beginning in June of 2005, the Clerk-Treasurer submits monthly financial reports to the Council and Mayor. These reports show the month's individual receipts and expenditures as well as the fund balances and bank reconciliation. The review and approval of these reports by Council is noted in the minutes and is documented with initials of the reviewer on the reports.

Recording Official Proceedings:

Auditor of State Comment from Financial Accounting Report:

Council minutes were not properly maintained as resolutions were not numbered, indexed or properly headed, each topic, motion, or resolution was not properly sub-headed and all annual financial data, including budgets, appropriations, required reports, etc., were not made a permanent part of the minute records. These weaknesses made the minute records incomplete in that they do not reflect the actions of council.

As the Council speaks through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect the actions of the council:

- 1) All Council actions should be indexed under proper headings to provide easy access to all village resolutions.
- 2) Each topic, resolution, motion, etc., should be subheaded or identified either in the margin or at the head of each paragraph for easier reading and referencing.
- 3) The annual financial data, including budgets, appropriations, transfers, required reports, and any advertisements for the same, should be reflected as a permanent part of the minute records.
- 4) All information should be published or maintained in proper form per Section 731.23, Ohio Revised Code.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the council's actions and would assist in locating specific actions of the council.

Current Status:

All Council actions such as ordinance and resolutions were numbered and maintained in chronological order and were identified in the margin of the minutes. The approvals of tax budgets and appropriation resolutions as well as monthly expenditures were noted in the minutes.

SECTION 2. Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Condition 1 – Default on Any Debt Obligation

Section 118.03(A)(1), Revised Code, defines a fiscal emergency condition as the existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

We reviewed the outstanding indebtedness of the Village as of June 30, 2005. There were no outstanding debts. The Village had a promissory note with an individual, dated September 20, 1997, in the amount of \$40,000. The promissory note was paid in full on September 18, 2001.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Ohio Revised Code as of June 30, 2005. The Village has not defaulted on any debt obligations.

Condition 2 – Payment of All Payroll

Section 118.03(A)(2), Revised Code, defines a fiscal emergency condition as the existence, at the time of the determination by the Auditor of State under section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by law, ordinances, resolutions, or agreements, which failure of payment has continued:

- (a) For more than 30 days after such time for payment, or
- (b) Beyond a period of extension, or beyond the expiration of 90 days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than 30 days by the written consent of at least two thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives. The failure of one county office, board, or commission to meet payroll does not in itself constitute a fiscal emergency.

The Village has no paid employees. All Village services are performed by the Mayor and the Village Council.

Conclusion: A fiscal emergency condition does exist under Section 118.03(A)(2) of the Ohio Revised Code as of June 30, 2005.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

Condition 3 – Increase in Minimum Tax Levy

Section 118.03(A)(3), Revised Code, defines a fiscal emergency condition as an increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Warren County Auditor whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Ohio Revised Code, in the minimum levy of the Village of Corwin, for the 2004 and 2005 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Warren County Auditor indicated that no action had been taken by the Warren County Budget Commission to increase the inside millage of the Village and, therefore, no other subdivision's millage was reduced for the 2004 and 2005 years.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3), Revised Code, as of June 30, 2005.

Condition 4 – Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4), Revised Code, defines a fiscal emergency condition as the existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeding one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year-end balance in the general fund and in the respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2004, that were due and payable from the general fund and from all funds, and that had been due and payable for at least thirty days, or to which a penalty had been added for failure to pay as of December 31, 2004, including, but not limited to, final judgments, fringe benefit payments due and payable, and amounts due and payable to persons and other governmental entities including any interest penalties. Our analysis indicated that there were no payables over 30 days past due at December 31, 2004.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Ohio Revised Code as of December 31, 2004. There were no payables over 30 days past due for any fund.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin
Financial Planning and Supervision Commission

Condition 5 – Deficit Fund Balances

Section 118.03(A)(5), Revised Code, defines a fiscal emergency condition as the existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred as provided in section 5705.14 of the Revised Code to meet such deficit, exceeding one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the fund balance of each fund as of December 31, 2004, by subtracting all accounts payable and encumbrances from the year-end cash balance of each fund. The Village had no funds with a deficit; therefore, no further calculations were necessary.

Schedule I

Deficit Fund Balances
Ohio Revised Code Section 118.03(A)(5)
As of December 31, 2004

	Cash Fund Balance	Less Accounts Payable and Encumbrances	Fund Balance (Deficit)
General Fund	\$64,574	\$625	\$63,949
Street Maintenance and Repair	6,317	113	6,204
Permissive Motor Vehicle License	810	0	810
Water	44,731	0	44,731
Sewer	4,309	68	4,241
Total	<u>\$120,741</u>	<u>\$806</u>	<u>\$119,935</u>

Conclusion: Schedule I indicates that a fiscal emergency condition does not exist under Section 118.03(A) (5) of the Ohio Revised Code as of December 31, 2004. There were no deficit funds.

Condition 6 – Treasury Balances

Section 118.03(A)(6), Revised Code, defines a fiscal emergency condition as the existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants, were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficit exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village’s reconciled bank balance to its cash journal as of December 31, 2004. From the treasury balance we subtracted the aggregate of all positive cash fund balances, the purpose of which the unsegregated treasury is held to meet to determine if a treasury deficit exists. Since the treasury balance equaled the aggregate of the positive fund cash balances, no further calculations were necessary.

Village of Corwin - Warren County

**Report on Termination of the Village of Corwin
Financial Planning and Supervision Commission**

Schedule II

Treasury Balances
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2004

	Amounts at December 31, 2004
Bank Cash Balances:	
National Bank and Trust	\$121,215
Adjustments for:	
Outstanding Checks	(474)
Total Treasury Balance	<u>120,741</u>
Positive Cash Fund Balances	
General Fund	64,574
Street Maintenance and Repair Fund	6,317
Permissive Motor Vehicle License Fund	810
Sewer Fund	44,731
Water Fund	4,309
Total Positive Cash Fund Balances	<u>120,741</u>
Treasury Deficiency	<u><u>\$0</u></u>

Conclusion: Schedule II indicates that a fiscal emergency condition does not exist under Section 118.03(A)(6) of the Ohio Revised Code as of December 31, 2004. The treasury balance equaled the sum of positive fund balances.

SECTION 3. Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

Village of Corwin - Warren County

Report on Termination of the Village of Corwin Financial Planning and Supervision Commission

All objectives of the financial plan have been met except for the implementation of an effective accounting and reporting system. State Statute allows for termination if the Village has planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years. The Auditor of State will monitor the progress to insure full implementation within a two year period, especially those areas deemed not implemented as of the date of this report.

SECTION 4. Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding fiscal crises in the future. A five-year forecast is required under 118.27(A)(4) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a non-adverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

This Page Left Blank, Intentionally

APPENDIX A

Village of Corwin
Warren County

Financial Forecast

For the Years Ending December 31, 2005 Through 2009

This Page Left Blank, Intentionally

Village of Corwin - Warren County

Table of Contents

	Page
Accountant's Report	A-3
Statement of Revenues, Expenditures and Changes in Fund Balance for Years Ended December 31, 2001 through 2004 Actual; Years Ending December 31, 2005 through 2009 Forecasted General Fund.....	A-4
Statement of Revenues, Expenditures and Changes in Fund Balance for Years Ended December 31, 2001 through 2004 Actual; Years Ending December 31, 2005 through 2009 Forecasted Street Maintenance and Repair Fund	A-6
Statement of Revenues, Expenditures and Changes in Fund Balance for Years Ended December 31, 2001 through 2004 Actual; Years Ending December 31, 2005 through 2009 Forecasted Permissive Motor Vehicle License Fund	A-8
Statement of Revenues, Expenditures and Changes in Fund Balance for Years Ended December 31, 2001 through 2004 Actual; Years Ending December 31, 2005 through 2009 Forecasted Water Fund	A-10
Statement of Revenues, Expenditures and Changes in Fund Balance for Years Ended December 31, 2001 through 2004 Actual; Years Ending December 31, 2005 through 2009 Forecasted Sewer Fund	A-12
Summary of Significant Accounting Policies and Forecast Assumptions	A-14

This Page Left Blank, Intentionally



**Auditor of State
Betty Montgomery**

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

Based upon the requirement set forth in Section 118.27 (A)(4), Revised Code, the Local Government Services Division of the Auditor of State's Office has examined the accompanying forecasted statements of revenues, expenditures and changes in fund balances of the various funds of the Village of Corwin, which encompass the five years ending December 31, 2009. These statements are presented on the cash basis of accounting used by the Village of Corwin rather than on generally accepted accounting principles. The Village of Corwin's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast, and the variations may be material.

This report is intended solely for the use of the Village of Corwin and the Financial Planning and Supervision Commission of Corwin and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Betty Montgomery
Auditor of State

September 12, 2005

VILLAGE OF CORWIN - WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2004 ACTUAL;
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009 FORECASTED
GENERAL FUND

	2001 Actual	2002 Actual	2003 Actual	2004 Actual
Revenues				
General Property Tax (Real Estate)	\$8,800	\$9,900	\$11,700	\$13,000
Municipal Income Tax	10,100	15,200	11,200	16,200
Other Local Taxes	0	0	600	700
Fines, Licenses, and Permits	1,200	1,000	600	700
Intergovernmental	8,200	6,400	6,000	6,200
Earnings on Investments	2,000	200	500	300
<i>Total Revenues</i>	<u>30,300</u>	<u>32,700</u>	<u>30,600</u>	<u>37,100</u>
Expenditures				
General Government				
Mayor	1,200	1,200	1,000	1,300
Clerk-Treasurer	300	400	700	900
Lands and Buildings	2,900	5,600	3,700	7,400
Property Tax Collection Fees	200	400	300	600
Audit Fees	3,600	3,600	3,600	3,600
Solicitor	2,100	3,100	1,700	1,200
Other	0	0	0	0
Community Environment				
Community Planning and Zoning	0	0	0	0
Basic Utility Services				
Refuse Collections and Disposal	0	0	0	0
Security of Persons and Property				
Street Lighting	2,400	3,700	3,400	3,400
Transportation				
Street Construction and Reconstruction	0	0	0	0
Street Cleaning, Snow, and Ice Removal	0	0	0	0
Traffic Signals, Signs, and Markings	0	0	0	0
<i>Total Expenditures</i>	<u>12,700</u>	<u>18,000</u>	<u>14,400</u>	<u>18,400</u>
Other Financing Uses				
Operating Transfers Out	13,100	0	0	0
<i>Total Expenditures and Other Financing Uses</i>	<u>25,800</u>	<u>18,000</u>	<u>14,400</u>	<u>18,400</u>
<i>Excess of Revenues Over Expenditures and Other Financing Uses</i>	4,500	14,700	16,200	18,700
Fund Balance January 1,	10,500	15,000	29,700	45,900
Fund Balance December 31,	<u>\$15,000</u>	<u>\$29,700</u>	<u>\$45,900</u>	<u>\$64,600</u>

See accompanying summary of significant forecast assumptions and accounting policies

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$15,000	\$17,900	\$22,600	\$25,500	\$29,200
26,800	42,600	59,200	68,500	80,500
700	800	900	900	1,100
900	1,100	1,300	1,500	1,700
6,100	6,100	6,100	6,100	6,100
300	300	400	500	500
<u>49,800</u>	<u>68,800</u>	<u>90,500</u>	<u>103,000</u>	<u>119,100</u>
2,800	1,400	1,400	1,500	1,500
2,500	6,100	6,100	6,100	6,100
4,200	4,300	4,400	4,500	4,600
300	800	500	1,300	600
9,500	0	5,300	0	5,300
5,000	5,000	5,000	5,000	5,000
4,000	12,000	12,000	12,000	12,000
0	8,100	3,100	3,100	3,100
0	20,200	24,100	28,200	33,400
3,500	3,500	3,500	3,600	3,600
12,500	15,000	0	15,000	15,000
1,500	5,000	5,000	5,000	5,000
500	5,000	500	500	500
<u>46,300</u>	<u>86,400</u>	<u>70,900</u>	<u>85,800</u>	<u>95,700</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>46,300</u>	<u>86,400</u>	<u>70,900</u>	<u>85,800</u>	<u>95,700</u>
3,500	(17,600)	19,600	17,200	23,400
<u>64,600</u>	<u>68,100</u>	<u>50,500</u>	<u>70,100</u>	<u>87,300</u>
<u>\$68,100</u>	<u>\$50,500</u>	<u>\$70,100</u>	<u>\$87,300</u>	<u>\$110,700</u>

VILLAGE OF CORWIN - WARREN COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2004 ACTUAL;
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009 FORECASTED
 STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	2001 Actual	2002 Actual	2003 Actual	2004 Actual
Revenues				
Intergovernmental	\$3,700	\$3,900	\$4,500	\$10,100
Charges for Services	0	200	0	0
<i>Total Revenues</i>	<u>3,700</u>	<u>4,100</u>	<u>4,500</u>	<u>10,100</u>
Other Financing Sources				
Operating Transfers In	2,000	0	0	0
<i>Total Revenues and Other Financing Sources</i>	<u>5,700</u>	<u>4,100</u>	<u>4,500</u>	<u>10,100</u>
Expenditures				
Transportation				
Street Maintenance and Repair	2,900	200	3,600	12,700
Debt Service				
Principal	2,500	0	0	0
<i>Total Expenditures</i>	<u>5,400</u>	<u>200</u>	<u>3,600</u>	<u>12,700</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	300	3,900	900	(2,600)
Fund Balance January 1,	<u>3,800</u>	<u>4,100</u>	<u>8,000</u>	<u>8,900</u>
Fund Balance December 31,	<u><u>\$4,100</u></u>	<u><u>\$8,000</u></u>	<u><u>\$8,900</u></u>	<u><u>\$6,300</u></u>

See accompanying summary of significant forecast assumptions and accounting policies

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$7,000	\$10,500	\$10,300	\$10,200	\$11,200
0	0	0	0	0
7,000	10,500	10,300	10,200	11,200
0	0	0	0	0
7,000	10,500	10,300	10,200	11,200
12,100	9,500	9,500	2,800	2,800
0	0	0	0	0
12,100	9,500	9,500	2,800	2,800
(5,100)	1,000	800	7,400	8,400
6,300	1,200	2,200	3,000	10,400
\$1,200	\$2,200	\$3,000	\$10,400	\$18,800

VILLAGE OF CORWIN - WARREN COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2004 ACTUAL;
 FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009 FORECASTED
 PERMISSIVE MOTOR VEHICLE LICENSE FUND

	2001 Actual	2002 Actual	2003 Actual	2004 Actual
Revenues				
Intergovernmental	\$300	\$400	\$400	\$500
Expenditures				
Transportation				
Street Maintenance and Repair	0	0	0	2,000
<i>Excess of Revenues Over (Under) Expenditures</i>	300	400	400	(1,500)
Fund Balance January 1,	1,200	1,500	1,900	2,300
Fund Balance December 31,	<u>\$1,500</u>	<u>\$1,900</u>	<u>\$2,300</u>	<u>\$800</u>

See accompanying summary of significant forecast assumptions and accounting policies

<u>2005</u> <u>Forecasted</u>	<u>2006</u> <u>Forecasted</u>	<u>2007</u> <u>Forecasted</u>	<u>2008</u> <u>Forecasted</u>	<u>2009</u> <u>Forecasted</u>
\$700	\$900	\$1,200	\$1,300	\$1,300
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
700	900	1,200	1,300	1,300
<u>800</u>	<u>1,500</u>	<u>2,400</u>	<u>3,600</u>	<u>4,900</u>
<u><u>\$1,500</u></u>	<u><u>\$2,400</u></u>	<u><u>\$3,600</u></u>	<u><u>\$4,900</u></u>	<u><u>\$6,200</u></u>

VILLAGE OF CORWIN - WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2004 ACTUAL;
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009 FORECASTED
WATER FUND

	2001 Actual	2002 Actual	2003 Actual	2004 Actual
Operating Revenues				
Charges for Services	\$32,200	\$48,100	\$56,200	\$48,700
Miscellaneous	1,100	22,500	0	0
<i>Total Revenues</i>	<u>33,300</u>	<u>70,600</u>	<u>56,200</u>	<u>48,700</u>
Operating Expenses				
Contractual Services	18,700	61,300	31,300	29,100
Tap In Fees	0	18,200	30,200	17,200
<i>Total Expenses</i>	<u>18,700</u>	<u>79,500</u>	<u>61,500</u>	<u>46,300</u>
<i>Excess of Operating Revenues Over (Under) Operating Expenses</i>	14,600	(8,900)	(5,300)	2,400
Non-Operating Expenses				
Balance Transferred to County	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Operating Revenues Over (Under) Operating Expenses and Non-Operating Expenses</i>	14,600	(8,900)	(5,300)	2,400
Fund Balance January 1,	<u>41,900</u>	<u>56,500</u>	<u>47,600</u>	<u>42,300</u>
Fund Balance December 31,	<u><u>\$56,500</u></u>	<u><u>\$47,600</u></u>	<u><u>\$42,300</u></u>	<u><u>\$44,700</u></u>

See accompanying summary of significant forecast assumptions and accounting policies

2005 Forecasted	2006 Forecasted	2007 Forecasted	2008 Forecasted	2009 Forecasted
\$59,000	\$0	\$0	\$0	\$0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>59,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
37,300	0	0	0	0
<u>21,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>59,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0
<u>44,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(44,700)	0	0	0	0
<u>44,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

VILLAGE OF CORWIN - WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2001 THROUGH 2004 ACTUAL;
FOR THE YEARS ENDING DECEMBER 31, 2005 THROUGH 2009 FORECASTED
SEWER FUND

	2001 Actual	2002 Actual	2003 Actual	2004 Actual
Operating Revenues				
Charges for Services	\$23,800	\$34,600	\$50,900	\$48,900
Operating Expenses				
Contractual Services	20,800	23,400	23,800	33,000
Tap In Fees	4,600	13,000	27,800	21,200
Debt Service	7,300	0	0	0
<i>Total Expenses</i>	<u>32,700</u>	<u>36,400</u>	<u>51,600</u>	<u>54,200</u>
<i>Excess of Operating Revenues Over (Under) Operating Expenses</i>	(8,900)	(1,800)	(700)	(5,300)
Non-Operating Expenses				
Balance Transferred to County	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Operating Revenues Over (Under) Operating Expenses and Non-Operating Expenses</i>	(8,900)	(1,800)	(700)	(5,300)
Fund Balance January 1,	<u>21,000</u>	<u>12,100</u>	<u>10,300</u>	<u>9,600</u>
Fund Balance December 31,	<u><u>\$12,100</u></u>	<u><u>\$10,300</u></u>	<u><u>\$9,600</u></u>	<u><u>\$4,300</u></u>

See accompanying summary of significant forecast assumptions and accounting policies

<u>2005</u> <u>Forecasted</u>	<u>2006</u> <u>Forecasted</u>	<u>2007</u> <u>Forecasted</u>	<u>2008</u> <u>Forecasted</u>	<u>2009</u> <u>Forecasted</u>
<u>\$53,500</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
33,500	0	0	0	0
20,800	0	0	0	0
0	0	0	0	0
<u>54,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(800)	0	0	0	0
<u>3,500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(4,300)	0	0	0	0
<u>4,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

Note 1 – The Village

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 government, street maintenance, zoning, and water and sewer services.

Note 2 - Nature of the Presentation

This financial forecast presents, to the best of the Village of Corwin's knowledge and belief, the expected revenues, expenditures and fund balance of each fund. Accordingly, the forecast reflects the Council's judgment of the expected conditions and its expected course of action as of September 12, 2005, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

The financial forecast has been prepared on a basis of cash receipts and disbursements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The Village maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the primary operating fund of the Village and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for major capital projects) that are legally restricted to disbursements for specified purposes.

Street Construction, Maintenance, and Repair Fund – This fund receives gasoline taxes and motor vehicle registration fees for constructing, maintaining, and repairing Village streets.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

Permissive Motor Vehicle License Fund – This fund receives permissive motor vehicle license fees for constructing and repairing Village streets.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services.

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.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the cash basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. All funds of the Village are legally required to be budgeted and appropriated.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the Warren County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the succeeding year.

Estimated Resources - The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to January 1, the Village must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations – The appropriation ordinance sets the limit for expenditures from each fund. A temporary appropriation ordinance may be passed on or about January 1 of each year. The temporary appropriation ordinance remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village. The appropriation ordinance by fund must be within the estimated resources as certified by the county budget commission. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

Note 4 - Significant Assumptions for Revenues

A. - General Fund

Property Taxes

Property taxes revenues consist of real and tangible personal property taxes. Real property tax revenue includes real estate, manufactured home and public utility property taxes. Tangible personal property tax is applied to property used in business (except for public utilities). The Village may request advances from the Warren County Auditor as the taxes are collected. When the final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenue.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue". Beginning in 2006, the State of Ohio eliminated the ten percent rollback on commercial and industrial real property.

All property tax revenues are based on levy rates and property valuations. The general fund has a levy of 2.32 mills, levied within the 10 mill statutory limitation without voter approval. Property valuations are set by the county auditor based on the fair market values. The county auditor is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last general reappraisal was completed in 2000. A triennial update took place in 2003. The next general reappraisal will be completed in 2006. Based on past updates, the Village anticipates a ten percent increase in assessed valuation in 2006. The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

<u>Class of Property</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Real Estate</u>				
Residential and Agricultural	\$4,112,820	\$4,688,170	\$5,573,930	\$5,971,640
Commercial and Industrial				
Public Utility Property				
Personal	95,790	180,800	175,260	205,340
Tangible Personal	358,220	487,350	644,480	563,470
Total Assessed Value	<u>\$4,566,830</u>	<u>\$5,356,320</u>	<u>\$6,393,670</u>	<u>\$6,740,450</u>

Real Property

The property tax revenues for 2005 are based on estimates by the County auditor which is reflected on the amended certificate of estimated resources. The increase in property taxes is due to increase from the development of Furnas Forge area. The increase of tax revenues for the development in 2006 through 2009 is based on historical growth of the development area. It is anticipated that 25 new houses will be built the each year until the completion of the development in 2008. In 2006 through 2008, these additional houses will approximately increase collections by twenty-nine hundred dollars each year. In 2009, it is anticipated that the new development will increase collections by thirty-seven hundred dollars. With the reappraisal of the county, the County Auditor's office estimates another ten percent increase in 2007.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

Tangible Personal Property Tax

Tangible personal property taxes have had several changes in the past several years. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Effective for 2005 and 2006, the assessment rate on inventory, currently at 23 percent, was to be reduced by two percent if the total statewide collections of personal property taxes for the second preceding year exceed the total statewide collections of property taxes for the third preceding year. Effective for years 2007 and beyond, the assessment rate for inventory was to be reduced by two percent per year until it is completely phased out regardless of the growth in collections.

Beginning in 2006, HB 66, effective July 1, 2005, will phase out by 25 percent each year tangible personal property (TPP) tax on most businesses inventory, manufacturing machinery and equipment, and furniture and fixtures. This change supersedes the changes and phase-out periods addressed above. No tangible personal property taxes will be levied or collected in 2009 and thereafter. Most new manufacturing machinery and equipment that would have been first taxable in 2006 and thereafter will not be subject to any tangible personal property tax. The State will reimburse the Village for the loss of tangible personal property taxes as a result of the changes in HB 66 within certain limitations (see Intergovernmental Revenue below).

The State exempted the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning with tax year 2004, the State began phasing out the reimbursement by 10 percent each year.

Income Taxes

The Village Council enacted a municipal income tax of one-half of one percent on substantially all income earned within the Village as well as the incomes of residents earned outside the Village. Employers within the Village are required to withhold tax from their employees and remit the tax to the Village quarterly.

In 2005, the Village Council approved a reduction of the income tax rate from one percent to one-half of one percent. Also, the Village Council contracted with the City of Franklin to administer the income tax. This change in administrators from the Village Clerk to the City of Franklin is anticipated to increase income tax revenues due to the pursuit of those individuals or businesses that are delinquent.

From 2005 through 2009, the income tax revenue is anticipated to increase from the 2004 collections based on the new development in Furnas Forge and from the contract with City of Franklin to administrate collection. In addition, two new businesses started operations in the Village in 2005. With historical collection issues, the estimated income tax was based upon medium income provided by the 2000 federal census. This medium income was adjusted yearly from 2000 census medium for consideration of the increase from the cost of living. See calculation of income tax below:

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

<u>Estimated Income Tax Revenue Factors</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total established housing units within the Village limits	130	130	130	130	130
Projected new housing units in Furnas Forge Development	0	25	50	75	107
Total housing units	130	155	180	205	237
Medium household income	\$57,697	\$59,758	\$61,531	\$63,127	\$64,738
Total Projected Village household income	\$7,500,610	\$9,262,490	\$11,075,580	\$12,941,035	\$15,342,906
Village income tax rate	0.50%	0.50%	0.50%	0.50%	0.50%
Total estimated income tax from residents	\$37,503	\$46,312	\$55,378	\$64,705	\$76,715
Average established Village business's yearly collections	\$2,274	\$2,274	\$2,274	\$2,274	\$2,274
Estimated collections from two new businesses	1,500	1,500	1,500	1,500	1,500
Total estimated income tax from businesses	3,774	3,774	3,774	3,774	3,774
Total estimated income tax	41,277	50,086	59,152	68,479	80,489
Percentage of collection forecasted	65.00%	85.00%	100.00%	100.00%	100.00%
Total estimated income tax collections	\$26,830	\$42,573	\$59,152	\$68,479	\$80,489

Other Local Taxes

Other local taxes represent franchise fees from Time Warner Cable. This revenue is anticipated to increase by ten percent from 2005 through 2009 due mainly to the new development at Furnas Forge.

Fines, Licenses, and Permits

Fines, licenses, and permits represent the Village's zoning fees charged. The Village anticipates revenues from zoning fees to increase by \$200 each year of the forecast. The increase is based on new development at Furnas Forge and new businesses within the Village.

Intergovernmental

Intergovernmental revenues include local government monies, local government revenue assistance, and property tax allocations for rollback and homestead and tangible personal property. The property tax allocations for rollbacks and homestead and tangible personal property are received from the State and are based on information provided by the county auditor.

The local government and local government revenue assistance funds are distributed monthly by the State to the Village via the County auditor. Section 503.12(B) of House Bill 66 establishes a Task Force to study potential sources of State funding for the Local Government and the Local Government Revenue Assistance programs that have the capacity for growth in funding levels and to provide stability in funding levels. In addition, the Task Force shall consider changes to the codified funding formula that reflects the reform to the Ohio tax code. By December 1, 2006, the Task Force is to submit a report to the Governor and to the General Assembly setting forth its recommendations for sources of funding for the Local Government and the Local Government Revenue Assistance programs together with suggested legislation to implement the recommendations. The forecast assumes the continuation of the Local Government and the Local Government Revenue programs at the same amount as received in 2005.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2005 through 2009

Beginning in 2006, the State will reimburse the Village for lost revenue due to the phase-out of tangible personal property tax. In the first five years, the Village will be fully reimbursed relative to prior law for revenue lost due to the taxable value reductions prescribed by HB 66. In the next seven years, the reimbursements are phased out. The reimbursement will be made for the base year amount, except that taxing authorities are only reimbursed for inventory property assessment percentage reductions beyond those already in place before the passage of HB 66. This means the Village is only reimbursed for the difference between prior law and its phase-outs and the phase-outs in HB 66.

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the Village for the loss of real property taxes caused by the homestead and rollback tax relief programs. Beginning in 2006, the State has eliminated the ten percent rollback on commercial and industrial real property.

The State exempts the first \$10,000 in personal property from taxation. The State reimburses the Village for the lost revenue. Beginning in 2004, the State began phase out the reimbursement by 10 percent each year. Under HB 66, the phase-out period has been accelerated. The last reimbursement for this exemption will be in October 2008.

Earnings on Investments

Earnings on investment are expected to remain the same in 2006 with the transfer of ownership of the water and sewer utilities to Warren County by the end of 2005 decreasing interest earned and the increase of funds from income tax revenue increasing interest. This will cause a decrease in fund balance of approximately \$50,000. With the expected increase in income tax revenue being collected on behalf of the Village and the rise of interest rates, we expect a small increase in earnings on investments from 2007 – 2009.

B. – Street Maintenance and Repair Fund

Intergovernmental

Intergovernmental revenues include gasoline excise taxes, municipal cents per gallon taxes, motor vehicle licenses fees. These revenues are collected and distributed by the State directly to the Village or via the County Auditor. Gas taxes increased eight cents from 2003 to 2005. For the forecast period, these revenues are anticipated to increase mainly due to the increase in motor vehicle registrations from the development of Furnas Forge. Also, in 2004, the Village received resurfacing monies from the County. The Village is expected to receive this funding again in 2006 and 2007.

C. – Permissive Motor Vehicle License Fund

Intergovernmental

Intergovernmental revenues include permissive motor vehicle licenses fees. These revenues are collected and distributed by the State directly to the Village. For the forecast period, these revenues are anticipated to increase due to influx of new citizens within the Village from the new development in Furnas Forge

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

D. – Water and Sewer Fund

The Village contracts with Warren County to provide basic water and sewer administration services. By the end of 2005, the Village plans to enter into a contract with Warren County to receive the Village's water and sewer assets. The County in return will provide water and sewer services to the Village citizens. The transfer of ownership and operations are anticipated to be complete by the end of 2005. This transfer of ownership has been forecasted for 2005.

Charges for Services

Charges for services revenues include tap-in-fees and water/sewer services. These revenues are collected and distributed by the Warren County Water and Sewer Department. For the forecast period, these revenues are anticipated to cease after 2006 due to the transfer of ownership of the water operations and infrastructure to Warren County by the end of 2005.

Note 5 - Significant Assumptions for Expenditures

A. – General Fund

General Government

Mayor

Expenditures include insurance, bond premiums, and membership dues. Starting in 2006, these expenditures are anticipated to increase \$50 each year. In 2005, the Village anticipates the purchase of a fire proof cabinet for the storage and security of Village records. This is anticipated to cost \$1,500.

Clerk-Treasurer

Expenditures include supplies and materials, yearly county offices contributions, advertising, post office box, training services, and checks. In general, these costs are anticipated to remain consistent throughout the forecast. In 2005, the Village anticipates the purchase of a new minute record book and a computer. The forecasted cost for both of these items is \$1,600.

The current Village Clerk-Treasurer is not compensated through a salary for her time as the Clerk-Treasurer. It is the intent of Village Council to approve an annual salary for the Clerk-Treasurer position starting in 2006. The forecasted salary and benefits is \$5,250.

Land and Buildings

The land and buildings activity accounts for the cost of utilities such as electricity and natural gas, and cleaning of town hall and mowing of Village grass. In 2004, the Village incurred expenses for road work that was paid out of the general fund. The forecast anticipates a small increase each year for the mowing and cleaning services. Electricity has remained consistent for the past three years and was forecasted at the same amount for 2005 through 2009. Gas expenditures have varied in past years due to the weather conditions; therefore, it was forecasted at an average amount from the past years to account for good and bad winter periods.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies For the Years Ending December 31, 2005 through 2009

Property Tax Collection Fees

County auditor and treasurer fees are assessed for the collection of property tax revenues. These fees are deducted from the property tax settlements made during the year. In every other year, election costs are incurred for the election of Council seats. Since the Village is expected to have an increase in property tax revenues from the new development at Furnas Forge and the reappraisal for 2007, the forecast anticipates an increase each year of the forecast. Also, every other year of the forecast, a small increase is anticipated due to election expenses.

Auditor Fees

The Village is required to have an audit every two years. Audits are anticipated in 2005, 2007, and 2009 with estimated costs of \$5,300. Historically, the Village has paid \$300 a month on past audit expenses. In 2005, the Village paid the remaining balance of \$3,500 on past audit charges. Also, in 2005 the Village anticipates costs associated with the fiscal emergency supervision from the Auditor of State's Office.

Solicitor

The Village contracts with an attorney for legal counsel and preparation of ordinances. The cost of legal council is estimated to be \$5,000 per year of the forecast due to the complexity of services being provided to the Village.

Other

The Village has contacted Wayne Township about the rental of space within the new township hall. The township hall has several items that the Village Hall is not equipped with such as plumbing, internet connection, phone service, copier, and fax. Rental cost of township space would be \$1,000 a month. The Village forecast the rental of space by September of 2005 and will continue to rent space through the forecast period.

Community Environment

Community Planning and Zoning

With the expansion of the Village, the need for a zoning inspector has increased; therefore, the Village Council plans to hire and compensate a person for the position starting in 2006. With a salary and benefits, the cost for a zoning inspector is anticipated to cost \$3,125 a year with no increase in salary during the forecast period. Also, in 2006, the Village needs to have their zoning map updated which will cost around \$5,000.

Village of Corwin - Warren County

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

Basic Utility Service

Refuse Collections and Disposal

Currently, Village residents pay for their own trash collection services. Each resident has the option of three different companies for these services. Starting in 2006, the Village Council plans to advertise and take bids for trash collection service for all residents of the Village to be paid for by the Village Council. The Village Council will be able to receive a considerably cheaper rate for taking bids for all trash collections within the Village than residents. The anticipated cost for this service is \$10.85 per house a month. In 2007 through 2009, the cost per house a month is anticipated to increase three percent each year.

Security of Persons and Property

Police Law Enforcement

Currently, the county sheriff's department serves the Village in police matters when called. Daily patrolling of the Village however does not occur. With the residential expansion of the Village, Council has forecasted expenditures to the Village of Waynesville to provide police protection and service to the Village. The anticipated cost of this service which would start in 2006 would be \$15,000. The cost would increase yearly at approximately \$100 per additional house built within the Village.

Street Lighting

The Village provides lighting for the streets within the Village limits. Historically, except for 2002, these expenditures increased slightly each year. For the forecast period, the expenditures are anticipated to increase slightly by half a percent per trends in past years.

Transportation

Street Maintenance and Repair

The forecasted expenditures for street maintenance and repair include a street resurfacing project in 2005 and alley street resurfacing projects in 2006, 2008, and 2009. In 2005, the cost of the street resurfacing project is estimated at \$12,500. The alley resurfacing projects forecasted for 2006, 2008, and 2009 are anticipated to cost \$15,000 for each year.

Street Cleaning, Snow and Ice Removal

In the past, street cleaning has been paid by the Street Maintenance and Repair Fund. The Village Council anticipates the increased need of more sweepings within the Village. The increase of sweepings will be paid by the General Fund. Estimated increase of cost for sweepings a year is \$5,000 except in 2005 which is only \$1,500.

Traffic Signals, Signs, and Markings

The Village Council plans to purchase an entrance sign for the new development of Furnas Forge. The estimated cost of this purchase over both 2005 and 2006 is \$5,000. For 2007 - 2009, the Village forecasted \$500 of signs and markings to be purchased.

Summary of Significant Forecast Assumptions and Accounting Policies
For the Years Ending December 31, 2005 through 2009

B. – Street Maintenance and Repair Fund

Street Maintenance and Repair

The forecasted expenditures for street maintenance and repair include resurfacing projects, purchase of road signs, and snow removal services as well as the cost of a fire hydrant in 2005. From 2005 through 2007, the Village plans to resurface one road per year with an estimate cost of \$7,000 for each project. The Village does not project the need for road resurfacing for 2008 or 2009. Snow removal is anticipated to remain consistent throughout the forecast.

C. – Permissive Motor Vehicle License Fund

Street Maintenance and Repair

In 2004, the Village Council approved to expend money from this fund for street repair. The Village does not anticipate using these monies for any projects during the forecast.

D. – Water and Sewer Fund

The Village contracts with Warren County to provide basic water and sewer administration services. In August of 2005, the Village plans to enter into a contract with Warren County to receive the Village's water and sewer assets. The County in return will provide water and sewer services to the Village citizens. The transfer of ownership and operations are anticipated to be complete by the end of 2005. This transfer of ownership has been forecasted for 2005.

Contractual Services

The Village contracts with Warren County to provide all services for water and sewer within the County. The collections made by the County are the same amount owed the County for these services. For the forecast period, these revenues are anticipated to cease by the end of 2005 due to the transfer of ownership of the sewer operations and infrastructure to Warren County

Tap Fees

The Village contracts with Warren County to provide all services for tap-in-services for water and sewer within the County. The collections made by the County are the same amount owed the County for these services. For the forecast period, these revenues are anticipated to cease after 2005 due to the transfer of ownership of the water and sewer operations and infrastructure to Warren County

Other Financing Uses

The Village anticipates the transfer of ownership of the Village water and sewer operations and infrastructure to Warren County by the end of 2005. The County would continue to provide the citizens of the Village water and sewer services. The County also stipulated that the Village turn the fund balance of the Water and Sewer Fund over to the County for the transfer.

This page left blank, intentionally



**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 29, 2005**