



Dave Yost • Auditor of State

VILLAGE OF CORWIN
WARREN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Corwin
Warren County
P.O. Box 684
Waynesville, Ohio 45068-0684

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Corwin, Warren County, (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Corwin, Warren County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2017, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 10, 2017

Village of Corwin, Ohio*Warren County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

| | General | Special Revenue | Totals (Memorandum Only) |
|------------------------------------------------------|-------------------------|------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$16,511 | \$0 | \$16,511 |
| Municipal Income Tax | 25,676 | | 25,676 |
| Intergovernmental | 11,095 | 17,893 | 28,988 |
| Special Assessments | 300 | | 300 |
| Fines, Licenses and Permits | 3,554 | | 3,554 |
| Earnings on Investments | 139 | | 139 |
| Miscellaneous | 873 | | 873 |
| <i>Total Cash Receipts</i> | <u>58,148</u> | <u>17,893</u> | <u>76,041</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 4,207 | | 4,207 |
| Public Health Services | 44 | | 44 |
| Transportation | | 10,170 | 10,170 |
| General Government | 35,773 | | 35,773 |
| Capital Outlay | | 76,900 | 76,900 |
| <i>Total Cash Disbursements</i> | <u>40,024</u> | <u>87,070</u> | <u>127,094</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>18,124</u> | <u>(69,177)</u> | <u>(51,053)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>369,474</u> | <u>106,170</u> | <u>475,644</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 36,993 | 36,993 |
| Committed | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 |
| Unassigned (Deficit) | 387,598 | 0 | 387,598 |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$387,598</u></u> | <u><u>\$36,993</u></u> | <u><u>\$424,591</u></u> |

See accompanying notes to the basic financial statements

Village of Corwin, Ohio

Warren County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Proprietary Fund Types

For the Year Ended December 31, 2016

| | <u>Enterprise</u> |
|-------------------------------------------|------------------------|
| Operating Cash Receipts | |
| Charges for Services | <u>\$37,876</u> |
| <i>Total Operating Cash Receipts</i> | <u>37,876</u> |
| Operating Cash Disbursements | |
| Contractual Services | <u>40,117</u> |
| <i>Total Operating Cash Disbursements</i> | <u>40,117</u> |
| <i>Operating Income (Loss)</i> | <u>(2,241)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>23,058</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$20,817</u></u> |

See accompanying notes to the basic financial statements

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Village of Corwin (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services. The Village contracts with Warren County to provide basic water and sewer utilities. The Village contracts for solid waste and recycling services.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose, provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following Special Revenue Fund:

Street Construction, Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance and repair of streets within the Village.

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

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measures. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village had no material encumbrances outstanding at December 31, 2016.

A summary of 2016 budgetary activity appears in Note 3

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$41,000 | \$58,148 | \$17,148 |
| Special Revenue | 24,300 | 17,893 | (6,407) |
| Enterprise | 50,000 | 37,876 | (12,124) |
| Total | \$115,300 | \$113,917 | (\$1,383) |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$65,250 | \$40,024 | \$25,226 |
| Special Revenue | 113,700 | 87,070 | 26,630 |
| Enterprise | 45,000 | 40,117 | 4,883 |
| Total | \$223,950 | \$167,211 | \$56,739 |

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits

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

| | |
|-------------------------|------------------|
| | 2016 |
| Demand deposits | \$ 55,383 |
| Certificates of deposit | 390,024 |
| Total deposits | <u>\$445,407</u> |

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 0.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned out of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The Village has obtained commercial insurance for the following risks:

Comprehensive property and general liability
Errors and omissions

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 – Defined Benefit Pension Plans

The Village's employee and fiscal officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

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Village of Corwin, Ohio

Warren County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2015

| | General | Special Revenue | Totals (Memorandum Only) |
|------------------------------------------------------|------------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$15,653 | \$0 | \$15,653 |
| Municipal Income Tax | 18,894 | | 18,894 |
| Intergovernmental | 9,086 | 18,079 | 27,165 |
| Special Assessments | 419 | | 419 |
| Fines, Licenses and Permits | 3,686 | | 3,686 |
| Earnings on Investments | 559 | | 559 |
| <i>Total Cash Receipts</i> | <u>48,297</u> | <u>18,079</u> | <u>66,376</u> |
| Cash Disbursements | | | |
| Current: | | | |
| Security of Persons and Property | 4,209 | | 4,209 |
| Community Environment | 2,370 | | 2,370 |
| Transportation | | 16,794 | 16,794 |
| General Government | 34,926 | | 34,926 |
| <i>Total Cash Disbursements</i> | <u>41,505</u> | <u>16,794</u> | <u>58,299</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>6,792</u> | <u>1,285</u> | <u>8,077</u> |
| <i>Fund Cash Balances, January 1</i> | <u>362,682</u> | <u>104,885</u> | <u>467,567</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 106,170 | 106,170 |
| Committed | 0 | 0 | 0 |
| Assigned | 0 | 0 | 0 |
| Unassigned (Deficit) | 369,474 | 0 | 369,474 |
| <i>Fund Cash Balances, December 31</i> | <u>\$369,474</u> | <u>\$106,170</u> | <u>\$475,644</u> |

See accompanying notes to the basic financial statements

Village of Corwin, Ohio
Warren County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2015

| | <u>Enterprise</u> |
|-------------------------------------------|------------------------|
| Operating Cash Receipts | |
| Charges for Services | <u>\$36,067</u> |
| <i>Total Operating Cash Receipts</i> | <u>36,067</u> |
| Operating Cash Disbursements | |
| Contractual Services | <u>38,075</u> |
| <i>Total Operating Cash Disbursements</i> | <u>38,075</u> |
| <i>Operating Income (Loss)</i> | <u>(2,008)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>25,066</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$23,058</u></u> |

See accompanying notes to the basic financial statements

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting Entity

The Village of Corwin (the Village), Warren County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services. The Village contracts with Warren County to provide basic water and sewer utilities. The Village contracts for solid waste and recycling services.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following Special Revenue Fund:

Street Construction, Maintenance and Repair Fund This fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance and repair of streets within the Village.

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

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

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measures. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village had no material encumbrances outstanding at December 31, 2015.

A summary of 2015 budgetary activity appears in Note 3

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into four classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$58,000 | \$48,297 | (\$9,703) |
| Special Revenue | 24,300 | 18,079 | (6,221) |
| Enterprise | 50,000 | 36,067 | (13,933) |
| Total | \$115,300 | \$102,443 | (\$29,857) |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|-------------------------------------------------------|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$315,250 | \$41,505 | \$273,745 |
| Special Revenue | 40,000 | 16,794 | 23,206 |
| Enterprise | 45,000 | 38,075 | 6,925 |
| Total | \$400,250 | \$96,374 | \$303,876 |

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 4 – Deposits

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

| | |
|-------------------------|-----------|
| | 2015 |
| Demand deposits | \$108,678 |
| Certificates of deposit | 390,024 |
| Total deposits | \$498,702 |

Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Income Taxes

The Village levies a municipal income tax of 0.5% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned out of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Village of Corwin, Ohio
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

The Village has obtained commercial insurance for the following risks:

Comprehensive property and general liability
Errors and omissions

Note 7 – Defined Benefit Pension Plans

The Village's employee and fiscal officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 45068-0684

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Corwin, Warren County, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 10, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's 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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-002.

Village's Response to Findings

We did not receive a response from Officials to these findings,

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 10, 2017

VILLAGE OF CORWIN
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The Village did not properly report financial activity for the years ended December 31, 2015 and 2016 as noted in the following:

- In 2015, a Village transfer of excess money to a money market and then brokerage CD totaling \$250,000 was recorded as a disbursement and a reduction in the General Fund balance. However, the Village maintained possession of this money throughout the audit period so a disbursement should not have been recorded.
- In 2016, transportation expenses of \$10,170 were incorrectly posted as capital outlay in the Street Fund.
- In 2016, intergovernmental revenue of \$2,686 was incorrectly posted as property taxes in the General Fund.
- In 2016, an insurance credit for \$873 was incorrectly posted as fines, licenses and permits revenue in the General Fund instead of miscellaneous revenue.
- In 2016 and 2015, special assessment revenue of \$300 and \$419, respectively, was incorrectly posted as property taxes in the General Fund.
- The Village did not accurately classify December 31, 2015 and 2016 fund balances. These misclassifications resulted in the following errors:
 - December 31, 2016 Special Revenue Restricted Fund Balance was understated by \$36,992 and Unassigned Fund Balance was overstated by \$36,992.
 - December 31, 2015 General Fund Unassigned Fund Balance was understated by \$119,450 and Assigned Fund Balance was overstated by \$119,450.

The Village has posted these adjustments to the financial statements.

Failure to accurately report financial activity can result in inaccurate financial statements. When fund balances are not accurately classified, Village officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes.

The Village should implement an effective monitoring control system to ensure that financial activity and fund balances are accurately classified on the financial statements. We also recommend that the Village review Auditor of State Bulletin 2011-004 for guidelines in accurately classifying fund balances.

**FINDING NUMBER 2016-001
 (Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

Material Weakness/Noncompliance

Ohio Administrative Code § 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts.

Estimated receipts were not accurately posted to the financial accounting system at December 31, 2016. The Village also misstated estimated receipts amounts in the budgetary activity footnote:

| Fund | Approved Estimated Receipts | Estimated Receipts Posted to Receipts Ledger | Variance |
|------------|-----------------------------------|----------------------------------------------------|----------|
| General | \$41,000 | \$54,000 | \$13,000 |
| Street | 19,000 | 18,000 | 1,000 |
| Permissive | 5,300 | 19,000 | 13,700 |
| Trash | 50,000 | 37,000 | 13,000 |

Estimated receipts were not accurately posted to the financial accounting system at December 31, 2015. The Village also misstated estimated receipts amounts in the budgetary activity footnote:

| Fund | Approved Estimated Receipts | Estimated Receipts Posted to Receipts Ledger | Variance |
|---------|-----------------------------------|----------------------------------------------------|----------|
| General | \$58,000 | \$54,500 | \$3,500 |
| Street | 19,000 | 17,800 | 1,200 |
| Trash | 50,000 | 36,500 | 13,500 |

Failure to properly post estimated receipts can result in over-appropriating and an inability to monitor unrealized budgetary receipts timely and accurately.

The Village has posted these adjustments to the financial statements.

We recommend the Village properly post estimated receipts to the financial accounting system.

Officials' Response:

We did not receive a response from Officials to this finding.



Dave Yost • 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
AUGUST 10, 2017