



**Auditor of State  
Betty Montgomery**



VILLAGE OF OHIO CITY  
VAN WERT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2004 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Fund - For the Year Ended December 31, 2003 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

Village of Ohio City  
Van Wert County  
103 S Main Street  
PO Box 246  
Ohio City, Ohio 45874

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

August 24, 2005

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Ohio City  
Van Wert County  
103 S Main Street  
PO Box 246  
Ohio City, Ohio 45874

To the Village Council:

We have audited the accompanying financial statements of the Village of Ohio City, Van Wert County, (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 24, 2005



**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$54,697	\$19,453		\$87,082	\$161,232
Intergovernmental Receipts	46,697	280,014	7,386		334,097
Charges for Services	35,798	17,757			53,555
Fines, Licenses, and Permits	200				200
Earnings on Investments	2,542	175			2,717
Miscellaneous	11,014	1,051			12,065
	<u>150,948</u>	<u>318,450</u>	<u>7,386</u>	<u>87,082</u>	<u>563,866</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	45,569	46,481			92,050
Public Health Services	4,886				4,886
Leisure Time Activities	3,338				3,338
Community Environment	343				343
Basic Utility Services	14,289				14,289
Transportation		51,447			51,447
General Government	66,670			9,621	76,291
Capital Outlay	6,900	284,573	28,270		319,743
	<u>141,995</u>	<u>382,501</u>	<u>28,270</u>	<u>9,621</u>	<u>562,387</u>
Total Receipts Over/(Under) Disbursements	<u>8,953</u>	<u>(64,051)</u>	<u>(20,884)</u>	<u>77,461</u>	<u>1,479</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Sale of Fixed Assets		8,658			8,658
Transfers-In	9,354	38,782	20,884		69,020
Transfers-Out	(25,293)			(69,020)	(94,313)
Total Other Financing Receipts/(Disbursements)	<u>(15,939)</u>	<u>47,440</u>	<u>20,884</u>	<u>(69,020)</u>	<u>(16,635)</u>
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,986)	(16,611)	0	8,441	(15,156)
Fund Cash Balances, January 1	<u>18,154</u>	<u>65,945</u>	<u>0</u>	<u>100,031</u>	<u>184,130</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$11,168</u></u>	<u><u>\$49,334</u></u>	<u><u>\$0</u></u>	<u><u>\$108,472</u></u>	<u><u>\$168,974</u></u>

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

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$645,936
<b>Operating Cash Disbursements:</b>	
Personal Services	164,932
Transportation	1,537
Contractual Services	463,916
Supplies and Materials	99,178
Other	3,500
Capital Outlay	134,627
Total Operating Cash Disbursements	867,690
Operating (Loss)	(221,754)
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	247,364
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	
Redemption of Principle	32,334
Interest and other fiscal changes	15,340
Other Non-Operating Cash Disbursements	5,410
Total Non-Operating Cash Disbursements	53,084
Receipts (Under) Disbursements Before Interfund Transfers	(27,474)
Transfers-In	25,293
Net Receipts (Under) Disbursements	(2,181)
Fund Cash Balances, January 1	365,539
<b>Fund Cash Balances, December 31</b>	<b>\$363,358</b>

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

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types		Fiduciary Fund	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$53,191	\$19,714	\$99,239	\$172,144
Intergovernmental Receipts	48,907	38,070		86,977
Charges for Services	33,772	18,981		52,753
Fines, Licenses, and Permits	425			425
Earnings on Investments	2,998	266		3,264
Miscellaneous	4,042			4,042
Total Cash Receipts	143,335	77,031	99,239	319,605
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	38,931	45,030		83,961
Public Health Services	4,420			4,420
Leisure Time Activities	2,805			2,805
Community Environment	285			285
Basic Utility Services	12,898			12,898
Transportation		36,663		36,663
General Government	79,091		8,767	87,858
Capital Outlay	22,982	39,168		62,150
Total Cash Disbursements	161,412	120,861	8,767	291,040
Total Receipts Over/(Under) Disbursements	(18,077)	(43,830)	90,472	28,565
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In	23,736	29,867		53,603
Transfers-Out	(23,418)		(53,603)	(77,021)
Total Other Financing Receipts/(Disbursements)	318	29,867	(53,603)	(23,418)
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(17,759)	(13,963)	36,869	5,147
Fund Cash Balances, January 1	35,913	79,908	63,162	178,983
<b>Fund Cash Balances, December 31</b>	<b>\$18,154</b>	<b>\$65,945</b>	<b>\$100,031</b>	<b>\$184,130</b>

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

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$604,692
Miscellaneous	7,502
	612,194
<b>Operating Cash Disbursements:</b>	
Personal Services	136,492
Transportation	1,819
Contractual Services	305,021
Supplies and Materials	71,477
Other	3,835
Capital Outlay	48,065
	566,709
Total Operating Cash Disbursements	566,709
Operating Income	45,485
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	
Redemption of Principle	21,594
Interest and other fiscal changes	11,942
Other Non-Operating Cash Disbursements	931
	34,467
Total Non-Operating Cash Disbursements	34,467
Receipts Over Disbursements Before Interfund Transfers	11,018
Transfers-In	23,418
Net Receipts Over Disbursements	34,436
Fund Cash Balances, January 1	331,103
<b>Fund Cash Balances, December 31</b>	<b>\$365,539</b>

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

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Ohio City, Van Wert County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water, sewer and electric utilities, park operations, police services, and fire services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

Repurchase agreements are valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**Fire Levy Fund** -This fund receives tax levy monies to be used for fire protection.

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CDBG Fund** – (2004) This fund receives monies from a block grant for street repair and a distress grant for improvements and additions to the park, sidewalks, clearance of buildings and public restroom facilities.

**3. Capital Projects Fund**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

**Carmean Street Project (2004 only)** - This fund received OPWC monies for the payment of planning costs associated with the Carmean Street project.

**4. Enterprise Funds**

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

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

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

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

**Sewer Facilities Construction Fund** - This fund receives proceeds from charges for services, income tax transfers and grants and loans offered by the Ohio Public Works Commission and the Ohio Water Development Agency. The proceeds are being used to construct new Sewer Facilities.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

**Local Income Tax Fund** – This expendable trust fund receives local income tax from residents to be used by the Village in accordance with local income tax ordinance 2-3-86

**E. Budgetary Process**

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

VILLAGE OF OHIO CITY  
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Repurchase agreement	\$532,332	\$549,669
Total deposits and investments	<u>\$532,332</u>	<u>\$549,669</u>

At December 31, 2004 and 2003, the Village held \$532,332 and \$549,669, respectively, in a sweep repurchase agreement. The specific sweep repurchase agreement is not an eligible investment for the Village under Ohio law.

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

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**2004 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$202,525	\$160,302	(\$42,223)
Special Revenue	400,580	365,890	(34,690)
Capital Projects	820,824	28,270	(792,554)
Enterprise	1,057,700	918,593	(139,107)
Fiduciary	75,776	87,082	11,306
Total	<u>\$2,557,405</u>	<u>\$1,560,137</u>	<u>(\$997,268)</u>

**2004 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$211,651	\$167,288	\$44,363
Special Revenue	411,971	382,501	29,470
Capital Projects	820,824	28,270	792,554
Enterprise	1,254,134	920,774	333,360
Fiduciary	90,000	78,641	11,359
Total	<u>\$2,788,580</u>	<u>\$1,577,474</u>	<u>\$1,211,106</u>

**2003 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$223,804	\$167,071	(\$56,733)
Special Revenue	116,917	106,898	(10,019)
Enterprise	686,800	635,612	(51,188)
Fiduciary	75,000	99,239	24,239
Total	<u>\$1,102,521</u>	<u>\$1,008,820</u>	<u>(\$93,701)</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$217,305	\$184,830	\$32,475
Special Revenue	136,567	120,861	15,706
Enterprise	874,126	601,176	272,950
Fiduciary	75,000	62,370	12,630
Total	<u>\$1,302,998</u>	<u>\$969,237</u>	<u>\$333,761</u>



**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**5. LOCAL INCOME TAX**

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

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

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #1	\$21,001	0.00%
Ohio Public Works Commission Loan #2	189,305	0.00%
Ohio Public Works Commission Loan #3	163,307	2.00%
Ohio Water Development Authority Loan #1	20,000	0.00%
Ohio Water Development Authority Loan #2	145,820	5.65%
Ohio Water Development Authority Loan #3	50,000	0.00%
Ohio Water Development Authority Loan #4	147,364	4.85%
AMP-Ohio Loan	43,045	3.50%
Total	<u>\$779,842</u>	

The Ohio Public Works Commission (OPWC) loans #1 and #3 and the Ohio Water Development Authority (OWDA) loan #2 relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The project has been split into phases and the OPWC and OWDA have approved loans to apply to specific phases of the project. OPWC loan #1 will be repaid in semiannual installments of \$1,000, with 0% interest, over 20 years. OPWC Loan #3 will be repaid in semiannual installments of \$5,302, including interest, over 20 years. The OWDA loan will be repaid in semiannual installments of \$5,255, including interest, over 30 years.

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan #1 relates to the planning phase of the water plant expansion project. The Ohio Public Works Commission (OPWC) loan #2 relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan will be repaid in semiannual installments of \$5,737, with 0% interest, over 20 years. The OWDA loan #1 will be repaid in annual installments of \$2,500 over 10 years.

The Ohio Water Development Authority (OWDA) loan #3 relates to the planning phase of the water plant expansion project. The OWDA loan #3 will be repaid beginning on January 1, 2006 in annual installments of \$5,000 with 0% interest, over 10 years.

The Ohio Water Development Authority (OWDA) loan #4 relates to the planning phase of the water plant expansion project. The OWDA loan #4 is drawn from as needed to a maximum of \$232,371. This loan is to be rolled into a consolidated federal loan as of January 1, 2009. No payments are required to be paid before the roll-over, therefore, this loan is not included in the amortization schedule below.

The AMP-Ohio loan relates to the purchase of a new Bucket Truck for the Electric Department. The AMP-Ohio loan is to be repaid in monthly payments of \$910, with 3.5% interest, over 5 years.

Amortization of the above debt, including interest, follows:

<b>Year ending</b>	<b>OPWC</b>	<b>OPWC</b>	<b>OPWC</b>	<b>OWDA</b>	<b>OWDA</b>	<b>OWDA</b>	<b>AMP-Ohio</b>
<b>December 31:</b>	<b>Loan #1</b>	<b>Loan #2</b>	<b>Loan #3</b>	<b>Loan #1</b>	<b>Loan #2</b>	<b>Loan #3</b>	<b>Loan</b>
2005	\$2,000	\$11,473	\$10,605	\$2,500	\$10,509	\$0	\$10,915
2006	2,000	11,473	10,605	2,500	10,509	5,000	10,915
2007	2,000	11,473	10,605	2,500	10,509	5,000	10,915
2008	2,000	11,473	10,605	2,500	10,509	5,000	10,915
2009	2,000	11,473	10,605	2,500	10,509	5,000	2,729
2010-2014	10,000	57,365	53,023	7,500	52,547	25,000	0
2015-2019	1,001	57,365	53,023	0	52,547	5,000	0
2020-2024	0	17,210	37,063	0	52,547	0	0
2025-2029	0	0	0	0	52,547	0	0
2030-2034	0	0	0	0	26,129	0	0
Total	<u>\$21,001</u>	<u>\$189,305</u>	<u>\$196,134</u>	<u>\$20,000</u>	<u>\$288,862</u>	<u>\$50,000</u>	<u>\$46,389</u>

**6. RETIREMENT SYSTEMS**

The Village's employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

VILLAGE OF OHIO CITY  
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

The Village maintains coverage as listed above through private carriers with limits of two million on liability, one million for personal injury, fifty thousand for fire damages and five thousand for medical expenses for any one person.

The Village also provides health insurance and dental coverage to full time employees through a private carrier.

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Ohio City  
Van Wert County  
103 S. Main Street  
P.O. Box 246  
Ohio City, Ohio 45874

To the Village Council:

We have audited the financial statements of the Village of Ohio City, Van Wert County, (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 24, 2005, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated August 24, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 to 2004-002. In a separate letter to the Village's management dated August 24, 2005, we reported other matters related to noncompliance we deemed immaterial.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Village of Ohio City  
Van Wert County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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

**Betty Montgomery**  
Auditor of State

August 24, 2005

**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 135.14(B)(5)** allows the treasurer or governing board to invest or deposit any part or all of the interim moneys in no-load money market mutual funds consisting exclusively of obligations described in division (B)(1) or (2) of this Section and repurchase agreements secured by such obligations. The following obligations are described in Ohio Rev. Code Section 135.14(B)(1) and (2): (1) United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States. Nothing in the classification of eligible obligations set forth in division (B)(1) of this Section or in the classifications of eligible obligations set forth in divisions (B)(2) to (7) of this Section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations; (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

The Village invested in a sweep repurchase agreement. At December 31, 2004, the Village held \$532,698 in the sweep repurchase agreement, 100% of Village funds. At December 31, 2003, the Village held \$549,810 in the sweep repurchase agreement, 100% of Village funds.

The repurchase agreement was secured by Goldman Sachs Prime Obligation Fund, which may be invested in United States treasury obligations, United States government securities, bank obligations, commercial paper, short-term obligations of corporations and other entities, repurchase agreements, asset backed and receivable backed securities, municipal securities, custodial receipts, unrated securities, and investment companies. The Goldman Sachs Prime Obligation Fund is not an eligible mutual fund for the repurchase agreement.

The Village should review the Ohio Compliance Supplement Chapter 5 and the identified Ohio Revised Code Sections for allowable investments and only invest in authorized obligations.

## FINDING NUMBER 2004-002

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)** states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 (\$3,000 effective April 7, 2003) for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Twenty three percent of transactions tested were not properly certified during the audit period and a then and now certificate was not issued for the transactions.

The Village should review Ohio Rev. Code Section 5705.41(D) and implement procedures for certification of funds.



**VILLAGE OF OHIO CITY  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-30281-001	Finding for Recovery - Overpayment to council member Dale Boroff	No	Not repaid – owes \$270
2002-30281-002	Finding for Recovery - Overpayment of council member Carol Miller	Yes	
2002-30281-003	Finding for Recovery - Overpayment of council member Greg Waterman	No	Not repaid – owes \$230
2002-30281-004	ORC Sec. 5705.41(D) - Failure to prior certify expenditures	No	Repeated – See 2004-002





**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 OHIO CITY**

**VAN WERT 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  
OCTOBER 4, 2005**