



Dave Yost • Auditor of State



VILLAGE OF CONVOY  
VAN WERT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Convoy  
Van Wert, County  
123 South Main Street  
P.O. Box 310  
Convoy, Ohio 45832-0310

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 Convoy, Van Wert County, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***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 1 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.

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, 2015 and 2014, or changes in financial position or cash flows 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 Convoy, Van Wert County as of December 31, 2015 and 2014, 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 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 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

January 24, 2017

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$60,532	\$16,734	\$77,266
Municipal Income Tax	148,783		148,783
Charges for Services	125,275	17,090	142,365
Intergovernmental	29,449	61,508	90,957
Fines, Licenses and Permits	1,145		1,145
Earnings on Investments	1,709		1,709
Miscellaneous	3,857	3,944	7,801
Total Cash Receipts	<u>370,750</u>	<u>99,276</u>	<u>470,026</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons & Property	118,160	23,267	141,427
Community Environment	2,508		2,508
Basic Utility Services	5,675		5,675
Transportation	29,225	38,926	68,151
General Government	107,957		107,957
Capital Outlay	31,081	5,862	36,943
<b>Debt Service:</b>			
Principal Retirement	14,943	18,610	33,553
Total Cash Disbursements	<u>309,549</u>	<u>86,665</u>	<u>396,214</u>
Excess of Receipts (Under) Disbursements	<u>61,201</u>	<u>12,611</u>	<u>73,812</u>
<b>Other Financing Receipts:</b>			
Sale of Capital Assets		2,000	2,000
Total Other Financing Receipts		<u>2,000</u>	<u>2,000</u>
Net Change in Fund Cash Balances	61,201	14,611	75,812
Fund Cash Balances, January 1	<u>425,562</u>	<u>194,752</u>	<u>620,314</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		209,363	209,363
Assigned	143,454		143,454
Unassigned	343,309		343,309
Fund Cash Balances, December 31	<u>\$486,763</u>	<u>\$209,363</u>	<u>\$696,126</u>

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

VILLAGE OF CONVOY  
VAN WERT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$353,367
Total Cash Receipts	<u>353,367</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	110,856
Fringe Benefits	45,870
Contractual Services	42,423
Supplies and Materials	74,833
Other	2,250
Total Cash Disbursements	<u>276,232</u>
Operating Income	<u>77,135</u>
<b>Non-Operating Cash Receipts / Disbursements:</b>	
Miscellaneous Receipts	12,656
Capital Outlay	(40,234)
Principal Retirement	(7,987)
Total Other Financing Receipts	<u>(35,565)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	41,570
Fund Cash Balances, January 1	<u>403,868</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$445,438</u></u>

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



**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$57,797	\$15,405		\$73,202
Municipal Income Tax	132,525			132,525
Charges for Services	76,282			76,282
Intergovernmental	33,004	57,985	\$23,000	113,989
Fines, Licenses and Permits	1,143			1,143
Earnings on Investments	2,542	23		2,565
Miscellaneous	16,084	2,304		18,388
Total Cash Receipts	<u>319,377</u>	<u>75,717</u>	<u>23,000</u>	<u>418,094</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
Security of Persons & Property	129,739	26,616		156,355
Public Health Services	6,500			6,500
Community Environment	2,587			2,587
Basic Utility Services	1,311			1,311
Transportation	31,842	53,142		84,984
General Government	122,833			122,833
Capital Outlay	14,640	24,794	148,813	188,247
<b>Debt Service:</b>				
Principal Retirement	14,943	11,900		26,843
Total Cash Disbursements	<u>324,395</u>	<u>116,452</u>	<u>148,813</u>	<u>589,660</u>
Excess of Receipts (Under) Disbursements	<u>(5,018)</u>	<u>(40,735)</u>	<u>(125,813)</u>	<u>(171,566)</u>
<b>Other Financing Receipts:</b>				
Other Debt Proceeds			125,813	125,813
Sale of Capital Assets	14,596			14,596
Total Other Financing Receipts	<u>14,596</u>		<u>125,813</u>	<u>140,409</u>
Net Change in Fund Cash Balances	9,578	(40,735)		(31,157)
Fund Cash Balances, January 1	<u>415,985</u>	<u>235,487</u>		<u>651,472</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		194,752		194,752
Assigned	140,500			140,500
Unassigned	285,063			285,063
Fund Cash Balances, December 31	<u>\$425,563</u>	<u>\$194,752</u>	<u>\$0</u>	<u>\$620,315</u>

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

VILLAGE OF CONVOY  
VAN WERT COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$361,233
Total Cash Receipts	<u>361,233</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	110,706
Fringe Benefits	41,394
Contractual Services	90,755
Supplies and Materials	75,821
Other	2,800
Total Cash Disbursements	<u>321,476</u>
Operating Income	<u>39,757</u>
<b>Non-Operating Cash Receipts / Disbursements:</b>	
Other Debt Proceeds	21,500
Miscellaneous Receipts	5,124
Capital Outlay	(26,475)
Principal Retirement	(4,771)
Total Other Financing Receipts	<u>(4,622)</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	35,135
Fund Cash Balances, January 1	<u>368,733</u>
Fund Cash Balances, December 31	<u><u>\$403,868</u></u>

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

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Convooy, Van Wert County as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services with a three member publicly elected Board of Public Affairs. The Village appropriates general fund money to support volunteer fire and emergency medical service departments.

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

**B. Accounting Basis**

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 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.

**C. Deposits and Investments**

The Village's certificates of deposits are valued at cost.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Village classifies its funds into the following types:

**1. 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.

**2. 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 significant Special Revenue Funds:

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

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**EMS** – This fund receives donations and payments for services for maintaining the services of EMS in the village and surrounding townships.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

**Main Street Reconstruction** – This fund received loan and grant monies from the Ohio Public Works Commission for the reconstruction of the Village's Main Street.

**4. 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 significant Enterprise Funds:

**Water Fund** - This fund receives charges for services from customers to cover the daily operational and maintenance expenses.

**Sewer Fund** - This fund receives charges for services from customers to cover the daily operational and maintenance expenses.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village had no encumbrances at year end.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**F. Fund Balance**

Fund balance is divided into five 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:

**1. Non-spendable**

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. 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.

**3. 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.

**4. 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 Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. 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.

**G. 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.

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**H. 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 DEPOSITS AND INVESTMENTS**

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

	<b>2015</b>	<b>2014</b>
Demand Deposits	\$557,315	\$441,589
Certificate of Deposits	584,249	582,594
Total Deposits	\$1,141,564	\$1,024,183

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2015 and 2014 follows:

**2015 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$373,200	\$370,750	(\$2,450)
Special Revenue	99,650	101,276	1,626
Enterprise	344,000	366,023	22,023
Total	\$816,850	\$838,049	\$21,199

**2015 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$513,700	\$309,549	\$204,151
Special Revenue	188,800	86,665	102,135
Enterprise	490,900	324,453	166,447
Total	\$1,193,400	\$720,667	\$472,733

**2014 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$323,200	\$333,973	\$10,773
Special Revenue	74,455	75,717	1,262
Capital Projects	148,813	148,813	
Enterprise	365,500	387,857	22,357
Total	\$911,968	\$946,360	\$34,392

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2014 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$532,785	\$324,395	\$208,390
Special Revenue	181,300	116,452	64,848
Capital Projects	148,813	148,813	
Enterprise	547,400	352,722	194,678
Total	\$1,410,298	\$942,382	\$467,916

**4. PROPERTY TAX**

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.

**5. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**6. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<b>Principal</b>
Ohio Public Works Commission (OPWC) CT38K	\$192,278
OPWC C11I	6,102
OPWC CM32E	31,619
OPWC CT58P	191,274
OPWC CM32M	21,486
OPWC CM23Q	189,742
State Fire Marshal Loan	65,450
	\$697,951

The Ohio Public Works Commission Loan CT38K relates to the Tully Street Reconstruction. The loans will be repaid in semiannual installments of \$7,121 over 20 years beginning in 2009. The loan is backed by the full faith and credit of the Village.

**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. DEBT (Continued)**

The Ohio Public Works Commission Loan CM111 is for repairs to the Village Water Tower. The loan will be repaid in semiannual installments of \$277 over 20 years beginning in 2007. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission Loan CM32E relates to the sludge press project. The loans will be repaid in semiannual installments of \$2,108, over 20 years beginning in 2004. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Ohio Public Works Commission Loan CT58P relates to the Main Street Reconstruction. The loans will be repaid in semiannual installments of \$3,356 over 30 years beginning in 2015. The loan is backed by the full faith and credit of the Village.

The Ohio Public Works Commission Loan CM32M relates to the Sesame Street/Storm Drainage Project. The loans will be repaid in semiannual installments of \$671 over 20 years beginning in 2012. The loan is backed by the full faith and credit of the Village.

The Ohio Public Works Commission Loan CM23Q relates to the Water Meter Installation Project. The loans will be repaid in semiannual installments of \$3,233 over 30 years beginning in 2015. The loan is backed by the full faith and credit of the Village.

The State Fire Marshal Loan relates to the New Fire Truck Project. The loans will be repaid in quarterly installments of \$2,975 over 10 years beginning in 2011. The loan is backed by the full faith and credit of the Village.

Amortization of the above debt, including interest, is scheduled as follows:

<b>Year End, December 31</b>	<b>OPWC</b>	<b>State Fire Marshal</b>
2016	\$33,500	\$11,900
2017	33,500	11,900
2018	33,500	11,900
2019	33,500	11,900
2020	33,500	11,900
2021-2025	156,959	5,950
2026-2053	122,836	
2031-2035	67,059	
2036-2040	65,717	
2041-2045	52,430	
Total	\$632,501	\$65,450

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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.



**VILLAGE OF CONVOY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**8. RISK MANAGEMENT**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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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 Convoy  
Van Wert County  
123 South Main Street  
P.O. Box 310  
Convoy, Ohio 45832-0310

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 Convoy, Van Wert County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated January 24, 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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

January 24, 2017

VILLAGE OF CONVOY  
VAN WERT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

**Material Weakness – Accuracy of Financial Reporting**

Transactions were posted to the general ledger and annual report; however, not all transactions were posted to the correct line item accounts. The following items were not properly posted during 2015 and 2014:

- In 2015, proceeds from the sale of a capital asset were misclassified as a miscellaneous revenue in the Fire and EMS Fund, as a result, \$2,000 was reclassified to Sale of a Capital Assets.
- In 2014, proceeds from the sale of a capital asset were misclassified as a miscellaneous revenue in the General Fund, as a result, \$14,596 was reclassified to Sale of a Capital Assets.
- In 2014, the Village improperly recorded debt proceeds as intergovernmental revenue instead of Other Debt Proceeds in the Water Repair Fund. As a result, \$21,500 was reclassified to Other Debt Proceeds.

Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB Codification 1800.170-1800.177) - *Fund Balance Reporting and Governmental Fund Type Definitions* gives definitions for each of the following fund types General, Special Revenue, Capital Project, Debt Service, and Permanent. GASB Statement No. 54 also establishes fund balance classifications that stipulate use of fund balances based on the extent to which a government is required to observe constraints imposed upon the use of the resources reported in governmental funds and for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The following errors were noted as a result of the Village not properly implementing GASB Statement No 54:

- In 2015 and 2014, the Village did not properly classify their fund balance in the General Fund in accordance with GASB 54. The subsequent year appropriations, for both years, exceeded estimated receipts and therefore the difference should have been classified as assigned. As a result, we reclassified \$143,454 and \$140,500, respectively, from Unassigned Fund Balance to Assigned Fund Balance in the General Fund.

The above adjustments are reflected in the accompanying financial statements.

In addition, the following errors were noted and brought to the attention of the Village, however were not posted to the accompanying financial statements:

- In 2015, Homestead and Rollback Receipts were improperly classified as property taxes instead of intergovernmental revenue in the amount of \$4,737 in the General Fund and \$1,290 in the Special Revenue Funds.
- In 2015, EMS receipts were not properly posted at gross amounts and the related collection expense properly recorded. Revenue and expenditures were understated by \$1,332.
- In 2015, debt payments were incorrectly posted to the General Government line item in the General fund instead of payment of principal in the amount of \$643.
- In 2014, debt payments were incorrectly posted to the General Government line item in the General fund instead of payment of principal in the amount of \$3,999.
- In 2014, the Village overstated intergovernmental revenue and capital outlay expenditures by \$3,000 for incorrectly posting OPWC on behalf activity.

**FINDING NUMBER 2015-001  
(Continued)**

Procedures were not in place to properly monitor the recording of financial activity.

Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct fund accounts and line items. The Fiscal Officer should review postings each month and again at the end of the operating year to verify that all amounts are classified and posted in accordance with the Village's chart of accounts. The Fiscal Officer should review Auditor of State Bulletin 2011-004 when completing the annual report to properly implement GASB Statement No. 54. Failure to do so may result in incorrect classification of funds and inaccurate financial statements.

**Officials' Response:** We did not receive a response from Officials to this finding.



# Dave Yost • Auditor of State

VILLAGE OF CONVOY

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  
FEBRUARY 21, 2017