



**CITY OF VAN WERT
VAN WERT COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF VAN WERT
VAN WERT COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

City of Van Wert
515 East Main Street
Van Wert, Ohio 45891

To the City Council:

We have audited the accompanying financial statements of the City of Van Wert, Van Wert County, Ohio, (the City) as of and for the year ended December 31, 2000. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Insurance claims reported in the self-insurance fund (an Internal Service Fund) are processed by a service organization that is independent of the City. The service organization did not provide us with evidence regarding the design or proper operation of its internal controls. We were unable to perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 65 percent of the disbursements for the Internal Service Fund type.

Ohio Administrative Code Section 117-2-03(B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the City prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, except for the claims disbursements which we were unable to examine as described in the third paragraph, Internal Service Fund, the financial statements referred to above present fairly, in all material respects, the cash, investments, and combined fund cash balances of the City of Van Wert, Van Wert County, as of December 31, 2000, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and actual disbursements, for the year then ended on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of the City of Van Wert taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, City Council, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 8, 2001

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		<u>Capital Project</u>
Receipts:					
Taxes	\$3,524,785	\$268,667		\$2,182,943	\$5,976,395
Charges For Services	244,991	82		90	245,163
Fines, Forfeitures, Licenses	254,492	55,070			309,562
Revolving Loan Repayments		89,393			89,393
Intergovernmental Receipts	538,036	663,232		752,203	1,953,471
Special Assessments			28,195		28,195
All Other Receipts	242,757	110,573	21,154	27,018	401,502
Total Receipts	<u>4,805,061</u>	<u>1,187,017</u>	<u>49,349</u>	<u>2,962,254</u>	<u>9,003,681</u>
Disbursements:					
Security of Persons & Property	3,035,592	103,020			3,138,612
Community Environment	31,729	567,897		10,000	609,626
Transportation		476,349		290,726	767,075
General Government	850,313	29,960	2,266	35,171	917,710
Leisure Time Activities	275,958			14,013	289,971
Health Services	75,600				75,600
Capital Outlay		36,059		1,928,940	1,964,999
Debt Service			202,932		202,932
Total Disbursements	<u>4,269,192</u>	<u>1,213,285</u>	<u>205,198</u>	<u>2,278,850</u>	<u>7,966,525</u>
Total Receipts Over (Under) Disbursements:	535,869	(26,268)	(155,849)	683,404	1,037,156
Other Financing Sources (Uses)					
Operating Transfers-In	1,439,651	62,419			1,502,070
Operating Transfers-Out	(62,419)	(541,436)		(898,215)	(1,502,070)
Advance-In	0	541,436		898,215	1,439,651
Advance-Out	(1,439,651)				(1,439,651)
Sale of Fixed Assets	876		50,500		51,376
Total Other Financing Sources (Uses)	<u>(61,543)</u>	<u>62,419</u>	<u>50,500</u>	<u>0</u>	<u>51,376</u>
Total Receipts And Other Sources Over (Under) Disbursemet And Other Uses	474,326	36,151	(105,349)	683,404	1,088,532
Fund Cash Balance January 1	<u>(232,895)</u>	<u>649,423</u>	<u>231,828</u>	<u>1,658,742</u>	<u>2,307,098</u>
Fund Cash Balance December 31	<u><u>\$241,431</u></u>	<u><u>\$685,574</u></u>	<u><u>\$126,479</u></u>	<u><u>\$2,342,146</u></u>	<u><u>\$3,395,630</u></u>

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Total</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Receipts:					
Charges For Services	\$2,896,621	\$719,797			\$3,616,418
Other Operating Receipts	13,254	100,779	1,835		115,868
Total Receipts	<u>2,909,875</u>	<u>820,576</u>	<u>1,835</u>		<u>3,732,286</u>
Disbursements:					
Personal Services	1,003,514	71,326			1,074,840
Contract Services		143,029			143,029
Claims		536,126			536,126
Supplies And Materials	737,614	72,512			810,126
Capital Outlay	6,025,536				6,025,536
Total Disbursements	<u>7,766,664</u>	<u>822,993</u>			<u>8,589,657</u>
Total Receipts Over (Under) Disbursements	(4,856,789)	(2,417)	1,835		(4,857,371)
Non-Operating Receipts (Disbursements)					
Sale of Notes	6,748,446				6,748,446
Other Non-Operating Revenue				1,064,112	1,064,112
Debt Service	(1,324,867)				(1,324,867)
Other Non-Operating Disbursements	(860)			(1,126,057)	(1,126,917)
Taxes				29,083	29,083
Intergovernmental				3,135	3,135
Total Non-Operating Receipts (Disbursements)	<u>5,422,719</u>			<u>(29,727)</u>	<u>5,392,992</u>
Net Income	565,930	(2,417)	1,835	(29,727)	535,621
Fund Cash Balance January 1	<u>731,395</u>	<u>186,180</u>	<u>26,156</u>	<u>91,398</u>	<u>1,035,129</u>
Fund Cash Balance December 31	<u>\$1,297,325</u>	<u>\$183,763</u>	<u>\$27,991</u>	<u>\$61,671</u>	<u>\$1,570,750</u>

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2000**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$5,129,122	\$6,245,588	\$1,116,466
Special Revenue Funds	2,126,331	1,249,436	(876,895)
Debt Service Funds	32,000	99,849	67,849
Capital Project Funds	4,097,814	2,962,254	(1,135,560)
Proprietary:			
Enterprise Funds	11,115,805	9,658,321	(1,457,484)
Internal Service Funds	803,000	820,576	17,576
Fiduciary:			
Trust Funds	<u>1,250</u>	<u>1,835</u>	<u>585</u>
Total (Memorandum Only)	<u><u>\$23,305,322</u></u>	<u><u>\$21,037,859</u></u>	<u><u>(\$2,267,463)</u></u>

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2000**

Fund Types/Fund	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements
Governmental:				
General Fund	\$0	\$4,869,962	\$4,869,962	\$4,331,611
Special Revenue Funds	0	2,387,763	2,387,763	1,754,721
Debt Service Funds	0	226,954	226,954	205,198
Capital Project Funds	0	4,803,283	4,803,283	3,177,065
Proprietary:				
Enterprise Funds	0	11,116,929	11,116,929	9,092,391
Internal Service Funds	0	874,248	874,248	822,993
Fiduciary:				
Trust Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total (Memorandum Only)	<u>\$0</u>	<u>\$24,279,139</u>	<u>\$24,279,139</u>	<u>\$19,383,979</u>

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

Encumbrances Outstanding At 12-31-00	Total	Variance Favorable/ (Unfavorable)
\$20,430	\$4,352,041	\$517,921
5,732	1,760,453	627,310
0	205,198	21,756
567,371	3,744,436	1,058,847
25,476	9,117,867	1,999,062
0	822,993	51,255
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$619,009</u>	<u>\$20,002,988</u>	<u>\$4,276,151</u>

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**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. REPORTING ENTITY

The City of Van Wert (the City) is a home rule municipal corporation established and operated under the laws of the State of Ohio. The City operates under the Mayor/Council form of government.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading. The primary government of the City of Van Wert consists of all funds, departments, boards and agencies that are not legally separate from the City. The City is segmented into many different activities and smaller accounting entities. These include a police force, a fire fighting force, a street maintenance force, planning and zoning departments, a parks and recreation system, a water system, a sewer system, and a staff to provide essential support to these service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures. All are responsible to the citizens of Van Wert and are included as part of the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City is associated with the Van Wert County Swimming Pool defined as a joint venture. This organization is presented in the notes to the financial statements.

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the City chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

GOVERNMENTAL FUNDS

General Fund

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

Special Revenue Funds

To account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

Capital Projects Funds

To account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Debt Service Funds

To account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

PROPRIETARY FUNDS

Enterprise Funds

To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

Internal Service Fund

The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Trust and Agency Funds

To account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include non expendable trust funds and agency funds.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(As Required by Various Statutes)

A. BUDGETARY PROCESS

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the City must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The City is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

B. PROPERTY, PLANT AND EQUIPMENT

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)
(As Required by Various Statutes)

C. CASH AND CASH EQUIVALENTS

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records.

During 2000, investments were limited to STAROhio, repurchase agreements, federal government securities and common stock.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2000. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2000.

Interest is distributed to the General, Street Maintenance and Repair, Motor Vehicle License, State Highway Improvement, Community Housing Improvement, Revolving Loan, Bicentennial Trust, Fire Department Welfare, and Walter F Emans Memorial Trust Funds.

The City held retainage in escrow for two contracts at December 31, 2000. The balances in these accounts are not reflected on the financial statements of the City.

D. ACCUMULATED UNPAID VACATION AND SICK LEAVE

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 2000, and in accordance with the City's sick leave policy, management estimates that \$1,288,278 in sick leave and \$208,179 in vacation leave has been accumulated by the employees of the City. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2000.

E. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

3. COMPLIANCE

Section 5705.10, Revised Code, states that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund or funds carrying the deficit balance. The General, CHIP, Garage and Vision Park funds had deficit balances during 2000.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. COMPLIANCE (Continued)

Section 5705.36, Revised Code, states that on or about the first day of each year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. In addition, the principal of a nonexpendable trust fund must be excluded from the amount of unencumbered balances certified. The principal amount of the nonexpendable trust fund was not excluded and the outstanding encumbered commitments of the capital project fund types were not excluded from the unencumbered balances that were certified.

Section 5705.38, Revised Code, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. Section 5705.39, Revised Code states that no appropriation measure shall become effective until the county auditor files a certificate with the City, a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official amended estimate. The 2000 appropriations were passed on December 27, 1999, however, these could not be certified by the county auditor and were rescinded on January 31, 2000.

Section 5705.41(D), Revised Code, requires the City Auditor to certify availability of funds prior to a commitment being paid. The City Auditor did not certify the availability of funds for 82% of the expenditures tested.

4. DEPOSITS AND INVESTMENTS

The City Auditor and City Treasurer are responsible for selecting depositories and investing funds. State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, 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;
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 services shall be direct issuances of Federal government agencies or instrumentalities;

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

At year end, the City had \$53 in undeposited cash on hand.

Deposits: At year end, the carrying amount of the City's deposits was \$2,071,476 and the bank balance was \$2,270,765. Of the bank balance, \$273,030 was covered by federal deposit insurance and \$1,997,735 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments: GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", requires that local governments disclose the carrying amounts and market value of investments, classified by risk. The government's investments are categorized as either (1) insured or registered, or securities are held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name. Investments in STAROhio and mutual funds are not classified since they are not evidenced by securities that exist in physical or book entry form.

	Risk Category		Carrying Value	Fair Value
	1	2		
Federal Agency Securities	0	1,550,000	1,550,000	1,541,295
Money Market mutual fund			1,023,646	1,023,646
STAROhio			321,258	321,258
Total			\$2,894,904	\$2,886,199

5. DEBT OBLIGATIONS

Debt outstanding at December 31, 2000 consisted of the following:

General Obligation Notes	
Principal Outstanding	\$500,000
Interest Rate	5.30%
General Obligation Bonds	
Principal Outstanding	\$1,360,000
Interest Rates	4.80 - 9.5%
Ohio Water Development Authority Loans	
Principal Outstanding	\$8,391,478
Interest Rates	3.81 - 4.12%
Taxable Industrial Revenue Bond	
Principal Outstanding	\$379,492
Interest Rate	7.25%
Police Pension	
Principal Outstanding	\$135,897
Interest Rate	5.00%
Fire Pension	
Principal Outstanding	\$229,981
Interest Rate	5.00%

The General Obligation Note was renewed on June 16, 2000, maturing on June 13, 2001 and in anticipation of the issuance of bonds to cover the costs of improving the municipal sanitary sewerage system by constructing, reconstructing and otherwise improving sewage treatment and collection facilities, constructing a building to house equipment and motorized vehicles for that system and acquiring equipment and motorized vehicles.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEBT OBLIGATIONS (Continued)

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities, street improvement and sewage system improvements. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. The General Obligations bonds relate to 3 issues:

Waterworks System Improvement Bonds, issued in 1983 for 20 years to cover the costs of improving the municipal waterworks system by constructing a water treatment. The debt service on the Waterworks System Improvement Debt will be paid from municipal waterworks system revenues.

Westwood Drive Street Improvement Bonds, issued in 1990 for 20 years to cover the costs of improving Westwood Drive. A special assessment was levied on the property owners for their portion of the cost of improving Westwood Drive. All special assessments collected shall be used for the payment of the principal and interest on the bond until paid in full.

Various Purpose Bonds, issued in 1991 for 20 years to cover the costs of improving the municipal wastewater treatment facilities. The debt service on the municipal wastewater treatment facilities will be paid from municipal wastewater system revenues.

Ohio Water Development Authority (OWDA) loans relate to 3 outstanding loans as follows: OWDA Loan number 3 and 4 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,086,005 in loans to the City for this project. The OWDA loan 3 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 3 includes capitalized interest of \$25,486. The OWDA loan number 4 does not have a schedule of payments yet as the City has not finalized or closed out the loan. Ohio Water Development Authority (OWDA) loan number 5 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of \$195,088. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. The City does not have a schedule of payments yet as the City is still drawing on this loan, but semi-annual payments are estimated at \$297,078. The scheduled payment will be adjusted to reflect any revisions in amounts actually expended for the project. Revenue of the utility facilities have been pledged to repay these costs. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Taxable Industrial Revenue Bonds were issued during 1996 for a period of 15 years to purchase land in Vision Park Industrial Park. During 1997, the City made an early principal payment of \$150,000 reducing the maturity by four years to 2008. The debt is secured by a Purchase Money Mortgage. The City is to pay the bond principal and interest from non-tax revenues, consisting primarily of investment income and crop sales.

The Police and Fire Pension obligation is a long-term accounting liability that is the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. The liability will be paid from the police and fire pension special revenue funds in semiannual payments through the year 2035.

Amortization of the above bond (long term) debt, including interest, is scheduled as follows:

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEBT OBLIGATIONS (Continued)

Year ending December 31	General Obligation Bonds	OWDA Loans	Industrial Revenue Bonds	Police Pension	Fire Pension
2001	\$254,302	\$75,336	\$76,844	\$7,548	\$12,773
2002	246,918	75,335	73,132	7,548	12,774
2003	239,092	75,336	69,459	7,548	12,773
2004	150,878	75,335	65,828	7,548	12,774
2005	149,862	75,336	62,112	7,548	12,774
Subsequent	<u>873,046</u>	<u>1,017,031</u>	<u>137,704</u>	<u>222,665</u>	<u>376,821</u>
Total	<u>\$1,914,098</u>	<u>\$1,393,709</u>	<u>\$485,079</u>	<u>\$260,405</u>	<u>\$440,689</u>

6. INCOME TAX

The City levies an income tax of one and half percent on all income earned within the City as well as incomes of residents earned outside the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax is allocated by ordinance and was credited to the following funds in 2000: General fund \$3,177,550, Street Construction fund \$1,588,806, Police and Fire Safety fund \$594,179.

7. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last reappraisal was completed for tax year 1999.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property, for the calendar year ended December 31, 2000, was \$3.2 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$3.2 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.2 per \$1,000 of assessed valuation for all other real property. Real property owners tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2000, was \$3.2 per \$1,000 of assessed valuation.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. PROPERTY TAX (Continued)

Real Property - 1999 Valuation	
Residential/Agricultural	\$84,502,420
Commercial/Industrial	33,809,880
Public Utilities	18,820
Tangible Personal Property - 2000 Valuation	
General -	35,657,046
Public Utilities -	<u>6,659,330</u>
Total Valuation	<u>\$160,647,496</u>

The Van Wert County Treasurer collects property tax on behalf of all taxing districts within the County. The Van Wert County Auditor periodically remits to the taxing districts their portions of the taxes collected.

8. RISK MANAGEMENT

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1999, the City contracted with Purmort Brothers Insurance Agency for general liability, property, law enforcement and public officials liability insurance.

Coverages provided by the insurance are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General Liability	Aggregate	\$4,000,000	None
	Per occurrence	2,000,000	
Public Officials Errors and Omissions	Aggregate	3,000,000	\$5,000
	Per occurrence	1,000,000	5,000
Law Enforcement Occurrence Liability	Aggregate	2,000,000	2,500
	Wrongful Act	2,000,000	2,500
	Each Person	2,000,000	2,500
Building and Contents		22,580,000	2,500
Auto Liability	Per occurrence	2,000,000	None
Umbrella Excess Liability	Aggregate	1,000,000	None
	Per occurrence	1,000,000	10,000

The City pays all elected officials' bonds per statute.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

8. RISK MANAGEMENT (Continued)

Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Worker's Compensation. For 2000, the City did not participate in a group rating program because the City of Van Wert was penalty rated due to a 1997 claim. Since then, the City Administration has made strides to manage loss work claims to become eligible for a group-rating program. In an effort to reduce the cost of Workers' Compensation premiums, the City began participating in the BWC 10-step Premium Discount Program.

Employee Medical Benefits

The City established a medical self-insurance fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$35,000 for each individual. The City purchased commercial insurance for claims in excess of coverage provided by the fund. The City has contracted with North Shore Administrators of Sandusky, Ohio to be the administrator of this Program. Settled claims have not exceeded the fund's coverage or stop-loss insurance coverage during 2000. The City does not anticipate being responsible for any costs that exceed the stop-loss insurance coverage.

All funds of the City participate in the program and make payments to the medical self-insurance fund based on a set rate per employee for single or family coverage. During 2000, a total of \$143,029 was paid for administrative fees and premiums and \$536,126 was paid for claims and benefits.

9. DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For the calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2000, 1999, and 1998 were \$205,862, \$255,699, and \$260,471 respectively. The full amount has been contributed for 1999 and 1998. All required contributions have been paid through December 31, 2000.

B. Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund of Ohio (OP&F), a cost-sharing multiple employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

OP&F issues a publicly available financial report that includes financial information and required supplementary information. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 1999, the City contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$186,136.34 and \$191,578.04 for the year ended December 31, 2000, \$178,931 and 188,758 for the year ended December 31, 1999, and \$168,354 and \$180,421 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 77.39 percent and 76.43 percent, respectively, have been contributed for 2000.

In addition to the current contribution, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. As of December 31, 2000, the unfunded liability of the City was \$365,879, payable in semiannual payments through the year 2035. This is an accounting liability of the City which will not vary.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate state system. As of December 31, 2000, eight reserve firemen and three council members and one acting judge have elected Social Security. The City's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for the year 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PER's latest actuarial review performed as fo December 31, 1999, included a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants was 401,339. The City's actual contributions in 2000 which were used to fund post employment benefits were \$81,661. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially per-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. Police and Firemen's Disability and Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll is applied to the postemployment health care program. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$69,205 for police and \$57,873 for fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

11. JOINT VENTURE

The Van Wert County Swimming Pool (the Pool) is a joint venture between the City of Van Wert and Van Wert County. The Pool is jointly operated by the City and the County for the benefit of all the citizens of the County. The recreation board governs the operations of the Pool. The board is made up of five members, with the City Council appointing two members to the board and the County Commissioners also appointing two members. The four members then appoint the fifth member. The Pool is no longer a self-supporting enterprise. Pool rates are adjusted on a yearly basis in order to provide for a sufficient reserve over and above normal operational costs for any necessary improvements, but the rates have not been sufficient to provide for the payment of the Swimming Pool Slide Note. During 2000, the City contributed \$14,013 for repairs and maintenance. The Pool is a joint venture since continued participation by the City is necessary for the Pool's continued existence. In future years, it is anticipated that the City will subsidize pool operations with the County's help. Complete financial statements can be obtained from the Pool located at 585 Fox Road, Van Wert, Ohio 45891.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

12. CONTRACTUAL COMMITMENTS

The City had entered into the following contractual commitment as of December 31, 2000:

Peterson Construction	Wastewater Treatment Plant Improvements	\$266,854
Schumm Plumbing	Wastewater Treatment Plant Improvements	14,630
SE Johnson	Vision Park Street Improvement and Sanitary Sewer	179,521
Bebout & Houg Roofing	Water Treatment Plant Roof	104,912
Fire & Safety Services Inc.	Fire Engine	387,850

13. CONTINGENT LIABILITIES

Litigation

The City is party to legal proceedings. The City is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the City.

Grants

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the City believes such disallowances, if any, will be immaterial.

14. SUBSEQUENT EVENTS

The City passed Ordinance #01-02-011 providing for the issuance and sale of \$245,000 in Pension Bonds for the purpose of satisfying the obligation of the City of Van Wert, Ohio to the Ohio Police and Fire Pension Fund for the employer's accrued liability. The bonds were to be dated approximately May 1, 2001 and shall mature on May 1, 2007 and shall bear an interest rate not to exceed 6% per year.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2000

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Passed through Ohio Department of Development)				
Community Development Block Grant/State's Program	A-C-98-191-1	14.228	\$40,000	\$24,268
Formula	A-F-98-191-1	14.228	35,600	37,021
Formula	A-F-99-191-1	14.228	0	171
Economic Development	A-E-99-191-1	14.228	<u>230,000</u>	<u>228,784</u>
Total			305,600	290,244
Home Investment Partnership (HOME) Program	A-C-98-191-2	14.239	5,500	8,631
(Direct Program)				
Home Investment Partnership (HOME) Program	M98-SG390152	14.239	201,865	155,762
Total			<u>207,365</u>	<u>164,393</u>
Total United States Department of Housing and Urban Development			512,965	454,637
U.S. DEPARTMENT OF TRANSPORTATION (Passed through Ohio Department of Transportation)				
Highway Planning and Construction Grant	PID 17787	20.205	30,717	0
Total United States Department of Transportation			<u>30,717</u>	<u>0</u>
UNITED STATES DEPARTMENT OF JUSTICE (Direct Program)				
Public Safety Partnership & Community Policing Grants	1995CFWX0171	16.710	10,991	0
Total United States Department of Justice			<u>10,991</u>	<u>0</u>
Total Federal Assistance			<u>\$554,673</u>	<u>\$454,637</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2000**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—MATCHING REQUIREMENTS

Certain Federal programs require that the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C—COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property and UCC Equipment. At December 31, 2000, the gross amount of loans outstanding under this program were \$628,134. Delinquent amounts due were \$383,201.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Van Wert
Van Wert County
515 East Main Street
Van Wert, Ohio 45891

To the City Council:

We have audited the financial statements of the City of Van Wert, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated May 8, 2001, which was qualified for lack of evidence regarding the processing of claims and wherein we noted that the City has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2000-20281-001 through 2000-20281-012. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated May 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-20281-013 to 2000-20281-020.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we considered items 2000-20281-013 to 2000-20281-018 to be material weaknesses.

We also noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated May 8, 2001.

This report is intended for the information and use of management, City Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 8, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Van Wert
Van Wert County
515 East Main Street
Van Wert, Ohio 45891

To the City Council:

Compliance

We have audited the compliance of the City of Van Wert, Ohio, (the City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 2000-20281-021 through 2000-20281-026 in the accompanying schedule of findings, the City did not comply with requirements regarding the Allowable Costs, Period of Availability, Earmarking and Reporting that are applicable to its Community Development Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated May 8, 2001.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2000-20281-025 through 2000-20281-028.

A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2000-20281-025 through 2000-20281-027 to be material weaknesses. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the City in a separate letter dated May 8, 2001.

This report is intended for the information of management, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

May 8, 2001

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant, CFDA # 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-001
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Finding for Recovery

The City Water Treatment Plant Superintendent, Donald Lippi, received payment of a salary that exceeded the Payroll Ordinance #7033-99, Exhibit II. Total salary received was \$41,448.45, which exceeded the Pay Ordinance amount of \$40,190, by \$1,258.45.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Donald Lippi, Water Treatment Plant Supervisor, and Jay Fleming, Safety Service Director, who was responsible for the preparation and approval of the pay certification indicating the rate of pay, in the amount of \$1,258.45 and in favor of the Water Fund.

Finding Number	2000-20281-002
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Ohio Rev. Code 5735.27 (A)(1) and (A)(2) prescribes the method for distribution and use of gas tax credited pursuant to (B)(2)(a) and (c)(2)(a) of section 5735.23 and pursuant to (B) of section 5735.26 for municipal corporations and indicates the amount received by each municipal corporation shall be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads and streets; etc.. Ohio Rev. Code 5735.28 states wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to Sections 4501.04, 5735.23 and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways.

The Street Maintenance and Repair Fund and the State Highway Improvement Fund were established by the City of Van Wert to account for the use of the gas and motor vehicle license tax revenues received pursuant to the above noted Sections. In 2000, \$39,328 of gas tax monies were credited to the General Fund rather than the Street Maintenance and Repair Fund and the State Highway Improvement Fund as required. Also, \$1,873 in gas tax monies was incorrectly distributed to the Street Maintenance and Repair Fund rather than to the State Highway Fund.

An adjustment has been made against the General Fund in the amount of \$39,328 in favor of the Street Maintenance and Repair Fund in the amount of \$36,378 and in favor of the State Highway Improvement Fund in the amount of \$2,950. An adjustment was also made against the Street Maintenance Fund in the amount of \$1,873 in favor of the State Highway Fund. The accompanying financial statements reflect the above noted adjustments and the adjustments have been posted to the accounting records of the City.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-003
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Ohio Rev. Code 733.11 states the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended.

Due to an error in posting Municipal Court fines and costs, a few instances were noted where the City posted court costs to the General Fund rather than to the Municipal Court Mediation Fund

An adjustment has been made in favor of the Municipal Court Mediation Fund against the General Fund in the amount of \$1,967. The accompanying financial statements reflect the above noted adjustment and the adjustment has been posted to the accounting records of the City.

Finding Number	2000-20281-004
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Van Wert, City Ordinance #7000-99 (1999), stated that after January 1, 2000, the income tax shall be at the rate of one and 72/100 per cent (1.72%) per annum upon the following.... that all funds raised by this 22/100 per cent (.22%) increase shall be used only for city safety departments (police and fire departments) and real property.

During 2000, the City distributed \$25,978 of funds in excess of the .22% of tax year 2000 revenues attributable to the Police and Fire Safety Fund.

An adjustment has been made from the Police and Fire Safety Fund in the favor of the General Fund in the amount of \$17,318 and in favor of the Capital Improvement Fund in the amount of \$8,660. The accompanying financial statements reflect the above noted adjustments and the adjustments has been posted to the accounting records of the City.

Finding Number	2000-20281-005
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Ohio Rev. Code 5735.28 states that whenever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to Sections 4501.04, 5735.23 and 5735.27 fo the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street traffic signs and markers on such highways.

The 2000 Pavement Marking Program, encompassing all City streets, highway and non-highway, was paid entirely from the State Highway Improvement Fund.

An adjustment has been made against the Street Construction Fund in the amount of \$15,220 in favor of the State Highway Improvement Fund. The accompanying financial statement reflect the above noted adjustment and the adjustment have been posted to the accounting records of the City.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-006
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Ohio Rev Code Section 5705.10, states that monies paid into any fund shall be used only for which such fund was established. City of Van Wert, Ordinance #6749-96 Section 2, states that all funds raised by the .5% income tax increase shall only be used to design, build, maintain and inspect city streets, for any related equipment needs, labor, materials and supplies. The water and sewer funds were established to account for user charges and expenses necessary for the continued operation of the water and sewer funds.

Salaries and related fringes for the custodian, code enforcement officer and safety service director's secretary were not appropriately charged against the funds that correspond to their job duties. During 2000, 90% of their wages and fringes were charged against the Street Construction Fund. Salaries and related fringes for the mayor and his secretary were charges 1/3 to General, 1/3 to Sewer and 1/3 to Water funds which did not correspond to the duties they performed or the operations they supervised.

An adjustment has been made from the General Fund in the amount of \$43,252 and from the Economic Development Fund in the amount of \$17,925 in favor of the Street Construction Fund in the amount of \$54,447, in favor of the Water Fund in the amount of \$3,365 and in favor of the Sewer Fund in the amount of \$3,365. The accompanying financial statements reflect the above noted adjustments and the adjustments have been posted to the accounting records of the City.

Finding Number	2000-20281-007
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Ohio Administrative Code Section 117-2-03 (B), requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

The City prepared its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omits assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The City can be fined and various other administrative remedies may be taken against the City.

The City should begin developing the information necessary to prepare financial statements in accordance with generally accepted accounting principles, including generating lists of fixed assets, including infrastructure, land, buildings, equipment, vehicles, and furniture and fixtures, accumulating historical cost information for these assets, maintaining records of all leave balances accumulated by City employees (sick, vacation, personal leave and compensatory time), preparing consumable inventory schedules at year end and assessing the value for these inventories.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-008
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Ohio Rev Code Section 733.11, states that the city auditor shall keep the books of the city and exhibit accurate statements of all moneys received and expended, of all property owned by the city and the income derived therefrom, and of all taxes and assessments.

The City entered into a water pollution control loan fund agreement for the wastewater treatment plant improvements project where the requests submitted for disbursements were made by the Ohio Water Development Authority directly to the contractor. Project pay requests four through sixteen were approved and issued during 2000; therefore, an audit adjustment to both revenue and expenses in the amount of six hundred seventy five thousand three hundred and one dollars (\$675,301) was required to be posted to the Sewer Fund financial statements as Capital Outlay and Proceeds of Notes in order to reflect the financial benefit. The City also did not have an up to date inventory of all property owned by the City.

When the City benefits from a loan or grant in which payments are made directly to the contractor by the loaner and grantor, the City should record the revenue and a corresponding expenditure in the appropriate fund at the time the payment is issued to the loaner or grantor. The City should maintain an inventory list of all property owned by the City.

Finding Number	2000-20281-009
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Ohio Rev Code Section 5705.10, states that monies paid into any fund shall be used only for which purpose such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

The General Fund started January 1, 2000 with a negative \$232,895 and remained negative until the end of July. The Garage Rotary Fund maintained a negative balance the majority of the year. A few other funds had negative balances at different times throughout the year of 2000 including the Vision Park Fund which had a negative \$179,621 balance at the end of September and the CHIP Fund which had a negative balance of \$20,339 at the end of November.

The City should monitor their fund balances and develop a plan of action to eliminate negative fund balances.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-010
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Ohio Rev. Code Section 5705.36 states that on or about the first day of each year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. In addition, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev Code Section 5705.131 must also be excluded from the amount of unencumbered balances that are certified.

The City included the principal balance of the non-expendable trust fund in the December 31, 1999 and December 31, 2000 certificates of total amount from all sources available for expenditure. Purchase orders were outstanding at December 31, 2000 for Capital Project Fund commitments of \$567,373, however, these were not properly included in the at December 31, 2000 certificate, therefore, unencumbered balances at December 31, 2000 were overstated by this amount. The accompanying financial statements have been adjusted to reflect the outstanding encumbrances for the Capital Project Fund.

Finding Number	2000-20281-011
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Ohio Rev Code Section 5705.38, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. Ohio Rev Code Section 5705.39, states that no appropriation measure shall become effective until the county auditor files with the City, a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official amended estimate.

The 2000 appropriations were passed on December 27, 1999, but the ordinance was rescinded on January 31, 2000 as these appropriations were higher than the estimated resources and the county auditor could not certify that the appropriations did not exceed the estimated resources. On January 31, 2000, Council approved temporary appropriations and on February 14, 2000, they approved final appropriations for 2000.

By not receiving a certificate from the county auditor, the appropriations were not in effect until January 31, 2000.

The City should pass a temporary appropriation measure until they receive their amended certificate of resources to enable the passage of permanent appropriations that are with in resources available and they should implement procedures to pass the annual appropriation resolution by the required date.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-012
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Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certificate should be considered null and void. If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

For 82% of the expenditures tested, the City honored expenditures for which there was no prior certification from the fiscal officer (City Auditor).

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

Finding Number	2000-20281-013
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MONITORING FINANCIAL REPORTS AND BUDGET

The duties of City Council include the management and control of the finances and property of the municipal corporation. In order to properly perform these duties, the City Council should review financial reports and monitor the City budget.

While the Council does receive periodic financial statements, there is no documentation of the extent to which the Council uses this financial information to monitor financial activity. Council is also not receiving a budget vs actual report generated from the computer system, but are receiving a spreadsheet prepared by the City Auditor. The following items were encountered which question the extent to which the City's financial activity is properly monitored:

- The financial statements contained material mispostings of revenues and expenditures (city income tax revenues, gasoline tax revenues, State Highway and Street Construction Fund expenditures, etc.).
- The financial statements contained numerous classification errors (gas tax, grant revenues, crop income, proceeds of notes, etc.).
- The City's printouts did not contain accurate budgeted receipts for all funds as all amendments to the Official Certificate of Estimated Resources were not posted to the system.
- All appropriations amendments that were approved by Council were not posted to the system and changes were also made to the appropriations without Council's approval.
- The OWDA loan related to the architect fees has not been drawn down on for over one year, however, the City has expended over \$400,000 to the architect during this time period.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-013 (Continued)
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MONITORING FINANCIAL REPORTS AND BUDGET (Continued)

For each regular meeting, the Auditor should provide the Council with budget vs actual financial statements generated from the system. The Council should carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the City. This information can help answer questions such as the following:

Inquiries Relevant to Overall City Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs? Are expenditures made on a timely basis?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are revenues being recorded in the proper funds?
- Is the City drawing all the grant/OWDA revenues available and drawing timely?
- Are anticipated receipts being timely received?
- Is the City maximizing its return on invested cash balances?
- Are bank reconciliations performed on a timely basis and are there any unusual reconciling items?
- Are estimated revenues sufficient to cover appropriations?
- Do expenditures consistently exceed revenues generated - Is the City experiencing a negative trend?

The Council should investigate any failures to meet reporting requirements and/or unusual delays in obtaining financial information or providing financial reports. Council should also consider any negative financial indicators found from the performance of the inquiries to determine if the City should perform or obtain a financial forecast. In addition to performing such reviews and inquiries, documentation should be maintained to support that a review was made. This could be documented by making a notation in the minutes or initialing documents reviewed.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-014
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DISBURSEMENT PROCEDURES

The City does not have in place adequate internal control procedures to allow for review and approval of purchases prior to the obligation being incurred by City employees. The following problems were noted when reviewing non-payroll disbursements:

- For 51% of expenditures, the requisition was approved after the purchase was already made.
- For 82% of expenditures, the expenditures was made without a purchase order.

This could result in noncompliance with the Ohio Revised Code; an expenditure being made for an improper public purpose; possible diversion of funds; improper posting of expenditures to the City's financial statements; and deficit spending of City funds.

Procedures should be implemented to obtain Purchase Orders and Requisitions that are completed and approved by the Department Head and the Safety Service Director before any purchase of the good or service is made.

Finding Number	2000-20281-015
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INTERNAL CONTROLS OVER COMPLIANCE

The City's management is responsible for establishing an internal control structure to assure compliance with laws and regulations. The lack of administrative continuity in government units (because of continuing changes in elected legislative bodies and in administrative organizations) increases the need for an effective internal control system.

It is apparent from the number of violations of City ordinances, Ohio Revised Code, Federal Regulations, Federal grant agreements and regulations and contract provisions that the management of the City has failed to establish an internal control structure that assures compliance with laws and regulations.

The City should develop a control system which includes a monitoring system and the assignment of responsibilities over monitoring the compliance to appropriate individuals. Areas for which the City should immediately consider include

- Bond (i.e. debt) compliance
- Budgetary compliance
- Contract compliance
- Grant compliance
- Procurement compliance

The City should also provide those individuals assigned the responsibility of monitoring compliance with adequate training, adequate tools and references, including current revised code books and a means to communicate results of monitoring reviews to management and City Council.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-016
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INSURANCE CLAIMS PROCESSING - SAS 70

The City contracts with a third party to administer health insurance claims. The third party administrator of the health benefit plan does not have a SAS No. 70 review of its internal control surrounding the handling and payment of claims, nor does the City have an internal control structure in place regarding review of the processing of insurance claims by the third party administrator.

Internal controls should be in place that provide reasonable assurance that payment of insurance claims are made only after proper management approval. Because of the failure to require approval from the proper level of management, and without a SAS No. 70 review of the third party administrator's internal control procedures, claims may be reimbursed without the approval or knowledge of management.

Procedures should be implemented requiring documentation of the accounting procedures performed to ensure health insurance charges are being sufficiently monitored. Also, the third party administrator should provide the City with a SAS No. 70 review of its internal control surrounding the handling and payment of claims.

Finding Number	2000-20281-017
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PAYROLL CONTROL PROCEDURES

The City does not have in place adequate internal control procedures to allow for the payment of employees according to approved pay ordinances or union contracts and the approval of time sheets by the Department Head prior to the submitting of the sheets to the Auditor's Office. The following problems were noted when reviewing payroll disbursements:

- For 13% of expenditures, the employees rate of pay did not agree to the payroll ordinance or union contract
- For 13% of expenditures, the expenditures was made without the approval of a time sheet by the Department Head

This could result in an expenditure being made for an improper public purpose. Procedures should be implemented to verify that all employees are paid at a rate approved by the Council in the pay ordinance or union contract and that all time sheet are approved by the Department Head prior to being submitted to the Auditor's office for payment.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-018
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OWDA DRAW DOWN REQUESTS

The City of Van Wert's loan agreement with the Ohio Water Development Authority includes reimbursements to the City for engineering services. The City does not have in place adequate internal control procedures to monitor the timely drawing down of funds. The last draw made by the City was February 28, 2000. As of April 18, 2001, the City had \$436,622 of reimbursable expenditures for which funds had not been drawn.

The failure to drawn down funds in a timely manner resulted in loss of interest earnings.

Cash management procedures should be established to process grant draw downs with as little time lapse as possible between the expenditure and the draw down.

Finding Number	2000-20281-019
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AUDIT COMMITTEE

The City should establish an Audit Committee to serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the City's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the City's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

In addition, the audit committee should meet regularly (perhaps quarterly) to monitor the City's legal compliance, financial condition, and controls over the safeguarding of assets.

The audit committee can include members of the City Council. However, it can also include representation that is independent from elected officials or management. The committee could include professionals knowledgeable in the City's financial operations, such as attorneys or bankers.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

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

Finding Number	2000-20281-020
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DISTRIBUTION OF SALARIES AND FRINGES

During 2000, the City stopped charging 100% of the salaries and fringes of the city auditor, deputy auditor, safety service director, engineering department, mayor, custodian, code enforcement officer, mayor's secretary and safety service director's secretary from the General Fund. Their salaries and fringes were divided in various percentages between the Water, Sewer, General and Street Construction funds, including the custodian and safety service director's secretary being paid 90% from the Street Construction Fund

The lack of charging salaries and fringes to the funds that correspond to the job duties a person performs or supervisors, results in monies being paid from funds which were not established to account for these expenditures.

The City should obtain job descriptions or determine reasonable allocation of salaries and fringes being charged to funds based upon duties being performed or operations being supervised. Salaries and fringes should then be charged to the funds based upon the established allocations.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-20281-021
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CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)

Federal Award Number/Year: A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Questioned Cost

Noncompliance - Code of Federal Regulations - Allowable Costs

24 CFR 570.509(3)(b)states: Upon closeout of the grant, any unused grant funds disbursed from the U.S. Treasury which are in the possession of the recipient shall be refunded to HUD.

The grant agreement for A-C-98-191-1 stipulates that all funds not expended shall be returned to the grantor within thirty (30) days after the expiration or termination of the agreement. The grant agreement was extended until October 31, 2000 for payment requests and until November 30, 2000 for the submission of the final performance report.

The City submitted their final performance report on January 20, 2001 which showed unexpended grant funds due to HUD. As of April 9, 2001, the City had not refunded the unexpended funds to the grantor.

Amount Drawn per Final Performance Report	Amount Expended Per Final Performance Report	Amount Expended Per City's Financial Records	Amount Questioned
\$76,000	\$63,865	\$69,419	\$6,581

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-20281-022
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CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)

Federal Award Number/Year: A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development (14.228)

Questioned Cost - Grant Agreement

Noncompliance- Ohio Department of Development Rules and Regulations - Earmarking and Allowable Costs

State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Rules and Regulations Handbook, Section (A)(3)(p.) states that an amendment to an executed grant agreement is required if the amount most recently approved by the Office of Housing and Community Partnership for any previously approved activity is being increased or decreased by more than \$5,000. Increases or decreases less than \$5,000 will be reconciled during the closeout process. The administration cap may not be exceeded.

The City did not obtain any amendments to the grant agreement for the CHIP grant. Per review of the subsidiary ledgers and vouchers, the administration cap was exceeded.

In addition, the Community Development Block Grant (CDBG)/CHIP grant agreement states that grant funds are to be used for the sole and express purpose of providing for the performance of the CDBG Community Housing Improvement Program and shall undertake the Projects as set forth in the Program Budget.

The City issued payments which exceeded the program budget for the Administration Program activity. The following represents questioned costs for payments made from the Community Housing Improvement Program in excess of program budgets, using funds budgeted for other federal program activities:

Activity	Program Budget	Amendment to Program Budget	Actual Expended for Activity	Amount Questioned
Administration	\$8,000	\$0	\$16,717	\$8,717

In addition, the Final Performance Report submitted by the City did not report this total being expended as Administration.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number

2000-20281-023

CFDA Title and Number: 14.228 Community Development Block Grant/Economic Development Program

Federal Award Number/Year: A-E-99-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Questioned Cost

Noncompliance - Code of Federal Regulations - Period of Availability and Allowable Costs

24 CFR 85.23 state where a funding period is specified, the recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by HUD.

Per grant agreement A-E-99-191-1, the grant period is May 16, 2000 through July 15, 2001 and the costs of preparing the application and environmental review may be incurred before the date of grant agreement execution.

Per check #46589, the City paid \$10,000 to the Economic Development Fund for "professional services rendered between December 15, 1999 and June 1, 2000 for the completion of applications for CDBG and roadway grants through the State Department of Development. A total of approximately 250 hours at \$40 per hour was committed by the economic development office in coordinating and facilitating meeting between state and local officials, phone calls and completion of written documentation to complete the total project."

The entire \$10,000 is a questioned cost for grant A-E-99-191-1 for the following reasons:

- The City did not have an contract with the economic development director outlining the scope of services to be performed and the compensation to be received.
- The invoice makes reference to time spent on a roadway grant which would not be eligible for reimbursement with CDBG funds.
- The invoice was for services rendered between December 15, 1999 and June 1, 2000, when the grant was not approved until May 16, 2000.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-20281-024
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CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)

Federal Award Number/Year: A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development (14.228)

Questioned Cost - Grant Agreement

Noncompliance- Ohio Department of Development Rules and Regulations/Code of Federal Regulations - Allowable Costs and Reporting

State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Rules and Regulations Handbook, Section (A)(3)(p.) states that an amendment to an executed grant agreement is required if the amount most recently approved by the Office of Housing and Community Partnership for any previously approved activity is being increased or decreased by more than \$5,000. Increases or decreases less than \$5,000 will be reconciled during the closeout process. The administration cap may not be exceeded.

The City did not obtain any amendments to the grant agreement for the CHIP grant. Per review of the subsidiary ledgers and vouchers, the administration cap was exceeded.

In addition, the Community Development Block Grant (CDBG)/CHIP grant agreement states that grant funds are to be used for the sole and express purpose of providing for the performance of the CDBG Community Housing Improvement Program and shall undertake the Projects as set forth in the Program Budget.

24 CFR Section 570.206 outlines allowable program administrative costs. Such costs include, but are not limited to, overall program management, coordination, monitoring and evaluation. These costs include such expenditures as preparing reports and other documents, coordinating the resolution of audit and monitoring findings, travel costs, administrative services, developing systems for assuring compliance with program requirements, providing officials and citizens with information about the program, evaluating program results, etc.

The City issued payments which exceeded the program budget for the Administration Program activity. Additional expenditures were made for Administration, but were shown under the activity of implementation. The invoices received from the grant consultant were not detailed enough to determine the time spent on implementation versus administrative activities. The invoices which were charged 100% to implementation included such administrative activities as travel from the consultant's business in Columbus to the City, filing records, meetings with City officials, administrative support, reviewing and ranking applications, dealing with computer problems, assisting auditors, phone calls, setting up a general ledger system, dealing with staff issues, meeting with program monitors, preparing pay requests and preparing vouchers.

Since the Administration activity was already exceeded on this grant, a questioned cost for \$38,304 is issued. Per check # 46579, \$2,080 administrative activity (checking files for program audit and assisting in financial audit) was charged to implementation. The other \$36,224 is the entire amount of the invoices submitted by the grant consultant which had implementation and administration activities combined for the period of the grant.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number

2000-20281-025

CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)

Federal Award Number/Year: A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Noncompliance-Ohio Department of Development Rules And Regulations/Reportable Condition/Material Weakness - Reporting

State of Ohio, Department of Development, Office of Housing and Community Partnership Financial Rules and Regulations Handbook, Section (A)(3)(d.)(8) states that the following financial records are usually maintained by an administering agency, but this is determined by the scope of the contract between the administering agency and the grantee. Per Section 9 of the service agreement between the City and the administering agency, the consultant "shall assist the City in maintaining accounts and records, including financial records adequate to identify and account for all costs pertaining to this Agreement, and such other records to assure proper accounting for all project funds, both Federal and non-federal shares."

The City did not maintain financial records during the entire grant period (i.e., general ledger, cash receipts journal, cash disbursement journal and project summary journal) for the CHIP Program. The City did reconstruct the revenue and disbursement activity for the 1998 CHIP grant; however, the reconstructed records did not support the amount reported in the final performance report. Further, the total expenditure activity in the reconstructed ledger for the CHIP grant did not agree to the amount actually expended per the City's records.

Procedures should be implemented to require that appropriate financial records are maintained for the Community Development Block Grant (CHIP).

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-20281-026
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CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)

Federal Award Number/Year: A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Noncompliance - Code of Federal Regulations/Reportable Condition/Material Weakness - Reporting

24 CFR 85.20(b) states: The financial management systems of other grantees and subgrantees must meet the following standards (1) Financial Reporting. Accurate, current and complete disclosure of the financial results of the financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. (4) Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant or subgrant.

The City did not maintain a general ledger, cash receipts journal, cash disbursements journal and project summary journal by activity during the grant period for the Community Development Block Grant/CHIP Program. The City did reconstruct the revenue and disbursement activity for these grants; however, the reconstructed records did not support the amount reported in the final performance reports for the 1998 grant. Further, the total 1998 expenditure activity in the reconstructed ledgers for the grant did not agree to the amount actually expended in the City's records. The following was noted when comparing the final performance report to the reconstructed records of the City:

Activity	Amount Drawn To Date Per the Final Performance Report	Amount Expended To Date Per the Final Performance Report	Amount Expended Per the City's Reconstructed Subsidiary Grant Records	Amount Expended Per City's Records
Public Services	\$ 1,000	\$ 280	\$280	\$280
Implementation	70,000	58,693	60,282	52,421
Administration	5,000	4,892	4,892	16,717
Grant Total	\$76,000	\$63,865	65,454	\$69,419

The City should establish a financial management system for the grant funds that includes a general ledger, cash receipts journal, cash disbursements journal and project summary journal by activity. These ledgers should support the amounts reported in the final performance reports. Further, these ledgers should be reconciled periodically to the City's financial records and monitored for compliance with the grant budgets and with requirements of grants regarding allowable activities and cost. The City should file an amended final performance report with the Ohio Department of Development which reflects the actual expenditures incurred.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number

2000-20281-027

CFDA Title and Number: 14.228 Community Development Block Grant/Community Housing Improvement Program (CHIP)/ Formula Program

Federal Award Number/Year: A-F-98-191-1 and A-C-98-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Reportable Condition/Material Weakness - Allowable Costs/Cost Principles

CDBG Grant Expenditures/Contract with the Grant Consultant

The City received invoices totaling \$38,324 from their CDBG/CHIP consultant over the period of the grant that were not detailed enough to determine the appropriate grant activity between implementation and administrative costs. At times, activities that qualify as administration activities per grant definitions were charged as implementation costs. The total contract amount for the 1998 CHIP grant was exceeded by over \$6,000 with without any amendment in writing. The service contract between the City and the consultant stated that "the recipient shall compensate the corporation at the rate of \$65/hr plus expenses, however, the consultant billed the City several times for an administrative assistant at either \$25/hr or \$40/hr.

The lack of detailed invoices could result in the amounts not being accurately reported on the correct grant final performance report by activity. This could result in unallowable grant expenditures or grant expenditures in excess of the grant budget which could jeopardize grant funding. The lack of not monitoring the service contract expenditures could result in the City paying more than the contract amount, paying for items not outlined in the contract, and paying for items which are not reimbursable under the grant guidelines.

The City should require that invoices received from the City's grant consultant are in enough detail to document the amount of cost for each service rendered to document that costs are properly classified and charged as administration or implementation costs. All invoices related to the CDBG programs should include the activity and grant to be charged. The City should also monitor the payments made on the contract to determine compliance with the contract and amend said contract when necessary.

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2000
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number

2000-20281-028

CFDA Title and Number: 14.228 Community Development Block Grant/Economic Development Program

Federal Award Number/Year: A-E-99-191-1

Federal Agency: Department of Housing and Urban Development

Pass-Through Agency: Ohio Department of Development

Reportable Condition - Allowable Costs/Cost Principles

Contract Payments for the 1999 Economic Development Grant

The application and certification for payments for the contract related to the 1999 Economic Development grant did not agree to the actual payments made. Duplicate payments were made on some of the application and certification for payments along with duplicate retainage being withheld. The first payment on the project had two application and certifications for payments totaling to \$111,485.46, but the City paid the contractor \$165,251.55.

The lack of paying the amount certified by the engineer results in the City paying for labor that has not been performed and materials that have not been used on the project. The City could also be drawing down CDBG funds prior to expenditures being incurred which could result in grant noncompliance and possible loss of grant funding.

The City should implement a check in balance system in which the approval and subsequent payment to the contractor agrees to the application and certification for payments. The City should reconcile the total amount paid on the project to the total application and certification for payments received to date to make sure these agree and do not exceed the total contract amount.

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**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-20281-001	Ohio Rev. Code 117.28 - Finding for Recovery of Insurance Premiums	Yes	
1999-20281-002	Ohio Rev. Code 117.28 - Finding for Recovery of Reimbursement Received Twice.	Yes	
1999-20281-003	Ohio Rev. Code 117.28 - Finding for Recovery of overpayment of grant coordinator	Yes	
1999-20281-004	Ordinance #6749-96 - Improper expenditures recorded in the Street Construction Fund	Yes	
1999-20281-005	Improper posting of grant reimbursement	Yes	
1999-20281-006	Ohio Administrative Code 117-6-01 - Annual report on GAAP basis	No	Not corrected, see Finding Number 2000-20281-007
1999-20281-007	Ohio Rev. Code 731.45 - Preparation and Maintenance of Minutes	Yes	
1999-20281-008	Ohio Rev. Code 733.11 - Maintenance of Accurate Financial Records	No	Not corrected, see Finding Number 2000-20281-008
1999-20281-009	Ohio Rev. Code 5705.10 - Deficit Fund Balances	No	Not corrected, see Finding Number 2000-20281-009
1999-20281-010	Ohio Rev. Code 5705.39 - Appropriations in Excess of Estimated Resources	Yes	
1999-20281-011	Ohio Rev. Code 5705.41(B)- Expenditures in Excess of Appropriations	No	Partially corrected - revised and placed in the management letter
1999-20281-012	Ohio Rev. Code 5705.41(D)- Prior Certification of Funds	No	Not corrected, see Finding Number 2000-20281-012

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2000
(Continued)**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-20281-013	Ordinance #6792-97, Section 9 - Debt Ordinances	Yes	
1999-20281-014	Monitoring of Financial Reports and Budget	No	Not corrected, see Finding Number 2000-20281-013
1999-20281-015	Disbursement Procedures	No	Not corrected, see Finding Number 2000-20281-014
1999-20281-016	Internal Controls Over Compliance	No	Not corrected, see Finding Number 2000-20281-015
1999-20281-017	Insurance Claims Processing - SAS 70	No	Not corrected, see Finding Number 2000-20281-016
1999-20281-018	Audit Committee	No	Not corrected, see Finding Number 2000-20281-019
1999-20281-019	Sewer Rate Review	Yes	
1999-20281-020	Distribution of Audit Costs	Yes	
1999-20281-021	Highway Planning and Construction Grant - Davis-Bacon Act Noncompliance	Yes	
1999-20281-022	Highway Planning and Construction Grant - Financial Reporting Noncompliance	Yes	
1999-20281-023	Highway Planning and Construction Grant - Reporting Noncompliance	Yes	
1999-20281-024	Highway Planning and Construction Grant - Matching Noncompliance	Yes	
1999-20281-025	Highway Planning and Construction Grant - Procurement	Yes	
1999-20281-026	Monitoring of Prevailing Wage Rates - Prevailing Wage Coordinator	No	Partially corrected - revised and placed in the management letter

**CITY OF VAN WERT
VAN WERT COUNTY**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Completion Date	Responsible Contact
2000-20281-001	No action taken		
2000-20281-002	Adjustment made	4-30-2001	City Auditor
2000-20281-003	Adjustment made	4-30-2001	City Auditor
2000-21081-004	Adjustment made	4-30-2001	City Auditor
2000-20281-005	Adjustment made	4-30-2001	City Auditor
2000-20281-006	Adjustment made	4-30-2001	City Auditor
2000-20281-007	The City is working toward GAAP. Target year is 2003.	Anticipated 12-31-2003	City Auditor
2000-20281-008	The City Auditor and Safety Service director currently work closely together to avoid oversights in the future. An inventory list is part of the GAAP preparation. Target year is 2003.	Anticipated 12-31-2003	City Auditor
2000-20281-009	The City Auditor monitors all fund balances. The Garage Rotary Fund is reimbursed monthly at the end of the month for all expenses, therefore it carries a negative balance through the month. Vision Park and CHIP funds were negative due to late receipt of grant draws downs.	Completed 12-31-2000	City Auditor
2000-20281-010	The City Auditor was unaware the non-expendable trust principle balance was not to be included in the certificate of sources available for expenditure. This will be corrected in the future.	Completed 4-30-2001	City Auditor
2000-20281-011	The City passed a temporary appropriation measure in December 2000 for 2001 and will do so in following years.	12-31-2000	City Council
2000-20281-012	The City did not previously use Purchase Orders. The Purchase Order contains the Auditors certification. A Purchase Order system was instituted in October 2000 will all departments except the Municipal Court complying by January 1, 2001.	Completed 1-1-2001	City Auditor
2000-20281-013	The current computer system is unable to produce a concise report that compares budget to actual. The Finance Committee chair is provided a monthly comparison that is generated from the system. The Finance Chair can compare the system-generated report to the spreadsheet for any discrepancies. This quarterly report is reviewed by Council. Mispostings, misclassifications and budget amendments not being posted are oversights by a new City Auditor. With year of experience with the City and the Computer System, these errors should not happen in future years.	Completed 12-31-2001	City Auditor City Council Finance Chair
2000-20281-014	The City implemented a Purchase order system in October of 2000 with all departments except the Municipal Court complying by January 1, 2001 Municipal Court - Approval will be obtained for purchases over \$1,000, except when the item is purchased with funds from one of the special funds, that requires the Judge's approval.	Completed 1-1-2001	City Auditor Municipal Court Judge

**CITY OF VAN WERT
VAN WERT COUNTY**

**CORRECTIVE ACTION PLAN
(Continued)**

Finding Number	Planned Corrective Action	Completion Date	Responsible Contact
2000-20281-015	No action taken		
2000-20281-016	A SAS 70 review is scheduled for 2001	Anticipated 12-31-2001	Safety Service
2000-20281-017	The payroll ordinance, union contract and individual pay certifications are currently being review to insure all positions and pay rates are consistent. In the second quarter of 2000. the City Auditor started a requirement that all time sheets be approved by the supervisor.	Anticipated 7-31-2001	City Auditor Safety Service
2000-20281-018	The City Auditor and Safety Service have a clearer understanding of the draw down procedures and work closely to monitor draws.	Completed 4-30-2001	City Auditor Safety Service
2000-20281-019	Although the City has not established an Audit Committee, the Finance Committee Chair, Safety Service Director, and City Auditor met several times during the year to follow up on audit citations.	Under current review	Finance Chair
2000-20281-020	The City has reviewed all positions with salaries being charged to multiple departments. Adjustments were made to correct inappropriate allocations for 2000. Allocations for 2001 have been corrected to charge the appropriate fund.	Completed 4-30-2001	City Auditor
2000-20281-021	A third party grant administrator submitted the final performance reports and advised the City not to refund any monies drawn until asked by ODOD to do so. Final performance reports and the 2000 Audit do not agree on the amount to be refunded. Once the grant has been reviewed a refund will be made to ODOD.	Anticipated 6-30-2001	Mayor
2000-20281-022	No action taken		Mayor
2000-20281-023	The City will obtain a revised contract with the Economic Development director for grant AE-99-191-1. \$5,000 of the \$10,000 paid for professional services will be refunded to the Grant Fund	Anticipated 6-30-2001	City Auditor
2000-20281-024	No action taken		Mayor
2000-20281-025	The City now uses the Excel program developed by ODOD to maintain financial records for all grants. All new grants received in 2000 and thereafter will be tracked with this program.	Completed 7-31-2000	City Auditor
2000-20281-026	The City now uses the Excel program developed by ODOD to maintain financial records for all grants. All new grants received in 2000 and thereafter will be tracked with this program.	Completed 7-31-2000	City Auditor
2000-20281-027	The City has requested the grant consultant submit more detailed invoices. With the implementation of a Purchase order system, future contracts will be tied to a PO. This will provide check system so contract amounts will not be exceeded. The City has also contracted with a new grant consultant for 2001.	Completed 12-31-2000	Mayor

CITY OF VAN WERT
VAN WERT COUNTY

CORRECTIVE ACTION PLAN
(Continued)

Finding Number	Planned Corrective Action	Completion Date	Responsible Contact
2000-20281-028	The contractor for the Economic Development grant now sends a duplicate pay request to the City Auditor. The Safety Service Director and Auditor now work closely together to insure no duplicate payments are made in the future. The implementation of a PO system also provides another check to insure contract amounts are not exceeded	Completed 12-31-2000	Safety Service City Auditor



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OFFICE OF THE AUDITOR

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CITY OF VAN WERT

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
JULY 3, 2001**