



**VILLAGE OF CONVOY
VAN WERT COUNTY**

REGULAR AUDIT

JANUARY 1, 2000 THROUGH DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CONVOY
VAN WERT COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Convoy
Van Wert County
201 Franklin Street
PO Box 255
Convoy, OH 45832

To the Village Council:

We have audited the accompanying financial statements of the Village of Convoy (the Village), Van Wert County, as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. 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, Village Council and other officials authorized to receive this report under § 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

January 11, 2002

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$161,955	\$23,267	\$185,222
Intergovernmental Receipts	57,943	50,238	108,181
Charges for Services	30,200		30,200
Fines, Licenses, and Permits	375		375
Earnings on Investments	39,050	3,426	42,476
Miscellaneous	7,434	7,369	14,803
 Total Cash Receipts	 296,957	 84,300	 381,257
Cash Disbursements:			
Current:			
Security of Persons and Property	79,820	27,743	107,563
Public Health Services	5,379		5,379
Community Environment	1,715		1,715
Basic Utility Services	670		670
Transportation	32,610	15,915	48,525
General Government	63,495		63,495
Capital Outlay	45,279	33,640	78,919
 Total Cash Disbursements	 228,968	 77,298	 306,266
 Total Receipts Over Disbursements	 67,989	 7,002	 74,991
Other Financing (Disbursements):			
Transfers-Out	(2,243)		(2,243)
 Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	 65,746	 7,002	 72,748
 Fund Cash Balances, January 1	 343,145	 144,783	 487,928
 Fund Cash Balances, December 31	 \$408,891	 \$151,785	 \$560,676

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

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$196,389
Miscellaneous	5,411
Total Operating Cash Receipts	201,800
Operating Cash Disbursements:	
Personal Services	56,701
Fringe Benefits	13,591
Contractual Services	27,485
Supplies and Materials	37,070
Capital Outlay	1,425
Miscellaneous	2,625
Total Operating Cash Disbursements	138,897
Operating Income	62,903
Non-Operating Cash Disbursements:	
Debt Service - Principal	7,866
Debt Service - Interest	11,185
Total Non-Operating Cash Disbursements	19,051
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	43,852
Transfers-In	2,243
Net Receipts Over Disbursements	46,095
Fund Cash Balances, January 1	255,869
Fund Cash Balances, December 31	\$301,964

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

**VILLAGE OF CONVOY
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$160,725	\$21,459		\$182,184
Intergovernmental Receipts	78,046	34,981		113,027
Charges for Services	31,500			31,500
Fines, Licenses, and Permits	265			265
Earnings on Investments	33,650	3,267		36,917
Miscellaneous	4,013	12,847		16,860
	<u>308,199</u>	<u>72,554</u>		<u>380,753</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	83,273	9,843		93,116
Public Health Services	4,705			4,705
Community Environment	1,651			1,651
Basic Utility Services	637			637
Transportation	32,555	24,452		57,007
General Government	62,351			62,351
Debt Service:				
Principal Payments	20,000			20,000
Interest Payments	196			196
Capital Outlay	20,035		3,333	23,368
	<u>225,403</u>	<u>34,295</u>	<u>3,333</u>	<u>263,031</u>
Total Receipts Over/(Under) Disbursements	<u>82,796</u>	<u>38,259</u>	<u>(3,333)</u>	<u>117,722</u>
Other Financing Receipts/(Disbursements):				
Sale of Loans	20,000			20,000
Transfers-Out	(2,503)			(2,503)
	<u>17,497</u>			<u>17,497</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	100,293	38,259	(3,333)	135,219
Fund Cash Balances January 1	<u>242,852</u>	<u>106,524</u>	<u>3,333</u>	<u>352,709</u>
Fund Cash Balances, December 31	<u><u>\$343,145</u></u>	<u><u>\$144,783</u></u>	<u><u>\$0</u></u>	<u><u>\$487,928</u></u>

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

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$179,816
Miscellaneous	<u>6,675</u>
Total Operating Cash Receipts	<u>186,491</u>
Operating Cash Disbursements:	
Personal Services	57,188
Fringe Benefits	14,691
Contractual Services	21,685
Supplies and Materials	28,385
Capital Outlay	6,858
Miscellaneous	<u>2,585</u>
Total Operating Cash Disbursements	<u>131,392</u>
Operating Income	<u>55,099</u>
Non-Operating Cash Disbursements:	
Debt Service - Principal	15,173
Debt Service - Interest	<u>22,930</u>
Total Non-Operating Cash Disbursements	<u>38,103</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	16,996
Transfers-In	<u>2,503</u>
Net Receipts Over/(Under) Disbursements	19,499
Fund Cash Balances, January 1	<u>236,370</u>
Fund Cash Balances, December 31	<u><u>\$255,869</u></u>

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

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

EMS Memorial Fund - This fund receives donations from citizens and organizations for the purchase of fire and/or EMS equipment.

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissive Motor Vehicle License Fund (2001 only) - This fund receives motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Capital Projects Funds

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

Sewer Construction Fund (2000 only) - This fund receives transfers from the General Fund for the payment of construction costs associated with the sewer line extension project.

4. Enterprise Funds

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

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

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

Ohio Water Development Authority Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$ 25,983	\$ 17,794
Certificates of deposit	552,361	409,601
Total deposits	578,344	427,395
Repurchase agreements	284,296	316,402
Total investments	284,296	316,402
Total deposits and investments	\$862,640	\$743,797

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village or (3) collateralized by the financial institution's public entity deposit pool.

Investments: The Village has a repurchase/security agreement with Firststar. This agreement allows the financial institution to invest excess funds in a repurchase agreement account. The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name.

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$340,070	\$296,957	(\$43,113)
Special Revenue	77,735	84,300	6,565
Enterprise	182,049	204,043	21,994
Total	<u>\$599,854</u>	<u>\$585,300</u>	<u>(\$14,554)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$410,000	\$231,211	\$178,789
Special Revenue	234,468	77,298	157,170
Enterprise	294,940	157,948	136,992
Total	<u>\$939,408</u>	<u>\$466,457</u>	<u>\$472,951</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$290,000	\$328,199	\$38,199
Special Revenue	70,900	72,554	1,654
Capital Projects	0	0	0
Enterprise	191,200	188,994	(2,206)
Total	<u>\$552,100</u>	<u>\$589,747</u>	<u>\$37,647</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$311,055	\$227,906	\$83,149
Special Revenue	173,323	34,295	139,028
Capital Projects	3,333	3,333	0
Enterprise	427,568	169,495	258,073
Total	<u>\$915,279</u>	<u>\$435,029</u>	<u>\$480,250</u>

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	<u>\$276,697</u>	7.65%
Total	<u><u>\$276,697</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant update project. The loans will be repaid in semiannual installments of \$19,051, including interest, over 25 years beginning in 1988. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF CONVOY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	OWDA Loan
2002	\$38,103
2003	38,103
2004	38,103
2005	38,103
2006	38,103
2007 – 2012	228,618
Total	\$419,133

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through June 30, 2000 and for 2001. For the period commencing July 1, 2000 to December 31, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

8. RISK MANAGEMENT

A. Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Village also provides health insurance to full-time employees through a private carrier.



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One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
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Facsimile 937-285-6688
www.auditor.state.oh.us

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

Village of Convoy
Van Wert County
201 Franklin Street
PO Box 255
Convoy, OH 45832

To the Village Council:

We have audited the accompanying financial statements of the Village of Convoy (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated January 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 11, 2002.

Village of Convoy
Van Wert County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF CONVOY

VAN WERT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2002**