

***VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

January 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Village Council
Village of Convoy
123 South Main Street
P.O. Box 310
Convoy, Ohio 45832

We have reviewed the *Report of Independent Accountants* of the Village of Convoy, Van Wert County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Convoy is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 29, 2006

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VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2005 and 2004

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Convoy
Van Wert County
123 South Main St.
Convoy, Ohio 45832

To Village Council:

We have audited the accompanying financial statements of the Village of Convoy, Van Wert County (the Village), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31, 2005 and 2004, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

November 20, 2006

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Total Memorandum Only</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 192,342	\$ 23,830	\$ 216,172
Intergovernmental	55,167	50,347	105,514
Charges for Services	51,590	-	51,590
Fines Licenses & Permits	600	-	600
Earnings on Investments	28,150	3,550	31,700
Miscellaneous	10,144	9,765	19,909
Total Cash Receipts	337,993	87,492	425,485
Cash Disbursements:			
Current:			
Security of Persons & Property	93,503	20,407	113,910
Public Health Services	7,401	-	7,401
Community Environment	2,264	-	2,264
Basic Utility Services	1,689	-	1,689
Transportation	47,678	15,844	63,522
General Government	113,103	-	113,103
Capital Outlay	25,800	33,000	58,800
Total Cash Disbursements	291,438	69,251	360,689
Total Receipts Over/(Under) Disbursements	46,555	18,241	64,796
Other Financing Sources/(Uses):			
Transfers-In	-	4,831	4,831
Transfers-Out	(9,401)	-	(9,401)
Total Other Financing Sources/(Uses)	(9,401)	4,831	(4,570)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	37,154	23,072	60,226
Fund Cash Balance, January 1	524,903	235,856	760,759
Fund Cash Balance, December 31	\$ 562,057	\$ 258,928	\$ 820,985

See accompanying Notes to the Financial Statements.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 220,628
Operating Cash Disbursements:	
Personal Services	66,311
Employee Fringe Benefits	20,188
Contractual Services	27,778
Supplies & Materials	41,676
Miscellaneous	2,495
Total Operating Cash Disbursements	158,448
Operating Income/(Loss)	62,180
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	5,190
Non-Operating Cash Disbursements:	
Capital Outlay	19,952
Redemption of Principal	24,216
Interest and Other Fiscal Charges	16,661
Total Non-Operating Cash Disbursements	60,829
Excess of Receipts Over Disbursements Before Transfers	6,541
Transfers-In	4,570
Net Receipts Over Disbursements	11,111
Fund Cash Balance, January 1	261,522
Fund Cash Balance, December 31	\$ 272,633

See accompanying Notes to the Financial Statements.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Total Memorandum Only
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 189,845	\$ 24,639	-	\$ 214,484
Intergovernmental	55,151	60,618	\$ 135,000	250,769
Charges for Services	47,677	-	-	47,677
Fines Licenses & Permits	585	-	-	585
Earnings on Investments	19,211	1,179	-	20,390
Miscellaneous	16,937	7,956	-	24,893
Total Cash Receipts	329,406	94,392	135,000	558,798
Cash Disbursements:				
Current:				
Security of Persons & Property	89,626	20,019	-	109,645
Public Health Services	6,800	-	-	6,800
Community Environment	1,585	-	-	1,585
Basic Utility Services	3,470	-	-	3,470
Transportation	55,765	13,121	-	68,886
General Government	108,482	-	-	108,482
Capital Outlay	22,077	86	135,000	22,163
Total Cash Disbursements	287,805	33,226	135,000	321,031
Total Receipts Over/(Under) Disbursements	41,601	61,166	-	102,767
Other Financing Sources/(Uses):				
Transfers-In	-	2,021	-	2,021
Transfers-Out	(6,246)	-	-	(6,246)
Total Other Financing Sources/(Uses)	(6,246)	2,021	-	(4,225)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	35,355	63,187	-	98,542
Fund Cash Balance, January 1	489,548	172,669	-	662,217
Fund Cash Balance, December 31	\$ 524,903	\$ 235,856	\$ -	\$ 760,759

See accompanying Notes to the Financial Statements.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 207,767
Operating Cash Disbursements:	
Personal Services	66,214
Employee Fringe Benefits	19,299
Contractual Services	27,897
Supplies & Materials	36,522
Capital Outlay	6,492
Miscellaneous	2,250
Total Operating Cash Disbursements	158,674
Operating Income/(Loss)	49,093
Non-Operating Cash Receipts:	
Other Non-Operating Cash Receipts	3,038
Non-Operating Cash Disbursements:	
Redemption of Principal	21,734
Interest and Other Fiscal Charges	16,907
Total Non-Operating Cash Disbursements	38,641
Excess of Receipts Over Disbursements Before Transfers	13,490
Transfers-In	4,225
Net Receipts Over Disbursements	17,715
Fund Cash Balance, January 1	243,807
Fund Cash Balance, December 31	\$ 261,522

See accompanying Notes to the Financial Statements.

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Convoy, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including water and sewer utilities, police services and police services.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

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 disbursement 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.)

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

C. CASH AND INVESTMENTS

Investments are reported as assets. 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 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 class of funds are as follows:

Governmental Fund Types:

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

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

Special Revenue Funds: To account for the proceeds of specific revenue sources (other than trusts or capital projects) that are legally restricted to disbursements for specified purposes. The Village has 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.

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 fund:

FEMA Grant Fund – This fund received a FEMA grant for the purchase of fire fighting equipment. The fund was closed in 2005.

Proprietary Fund Types:

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

Water Fund – This fund receives charges for services from residents to cover the costs 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

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village.

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

1. Estimated Resources - (continued)

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in Note 5 reflect the amounts in the final amended certificates issued during 2005 and 2004.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2005 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 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.

The legal level of budgetary control is at the fund, function and object level in all funds. Any budgetary modifications at this level may only be made by ordinance of the Village Council.

3. Encumbrances

The Village 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 that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year-end.

Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated. In Note 5, encumbrances are added to budgetary expenditures and compared to current year appropriations plus prior year carry-over appropriations.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

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.

G. Unpaid Vacation and Sick Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as liabilities on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investments 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:

	2005	2004
Demand deposits	\$ 422,319	\$ 314,160
Certificates of deposit	671,299	708,121
Total deposits	\$ 1,093,618	\$ 1,022,281

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

3. PROPERTY TAXES

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.

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

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

4. 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.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Types	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 446,533	\$ 300,839	\$ 145,694
Special Revenue	125,400	69,251	56,149
Capital Projects	110,000	-	110,000
Enterprise	341,700	219,277	122,423
Total	\$ 1,023,633	\$ 589,367	\$ 434,266

2005 Budgeted vs Actual Receipts			
Fund Types	Budgeted Receipts	Actual Receipts	Variance
General	\$ 320,812	\$ 337,993	\$ 17,181
Special Revenue	78,266	92,323	14,057
Capital Projects	110,000	-	(110,000)
Enterprise	219,150	230,388	11,238
Total	\$ 728,228	\$ 660,704	\$ (67,524)

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

5. BUDGETARY ACTIVITY – (continued)

2004 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Types	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 396,310	\$ 294,051	\$ 102,259
Special Revenue	97,400	33,226	64,174
Capital Projects	135,000	135,000	-
Enterprise	325,416	197,315	128,101
Total	\$ 954,126	\$ 659,592	\$ 294,534

2004 Budgeted vs Actual Receipts			
Fund Types	Budgeted Receipts	Actual Receipts	Variance
General	\$ 318,277	\$ 329,406	\$ 11,129
Special Revenue	92,521	96,413	3,892
Capital Projects	135,000	135,000	-
Enterprise	219,108	215,030	(4,078)
Total	\$ 764,906	\$ 775,849	\$ 10,943

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Balance 12/31/2005
Ohio Water Development Authority Loan	\$ 204,012
Ohio Public Works Commission Loan	73,778
	\$ 277,790

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.

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

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

6. DEBT – (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2005 are as follows:

<u>Year Ending December 31:</u>	<u>Ohio Water Development Authority</u>	<u>Ohio Public Works Commission Loan</u>
2006	\$ 38,103	\$ 4,216
2007	38,103	4,216
2008	38,103	4,216
2009	38,103	4,216
2010	38,103	4,216
2011 - 2015	76,206	20,377
2016 - 2020	-	20,377
2021 - 2025	-	11,944
Total	<u>\$ 266,721</u>	<u>\$ 73,778</u>

7. RISK MANAGEMENT

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 Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	2,748,639	2,227,808
Member's Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

8. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost sharing, multiple employer public employee retirement system. OPERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees.

Contributions rates are prescribed by the Ohio Revised Code. The Village's OPERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% for 2005 and 2004 of participant's gross salaries. The Village has paid all contributions required through December 31, 2005.

9. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Convoy
Van Wert County
123 South Main Street
Convoy, Ohio 45832

To Village Council:

We have audited the financial statements of the Village of Convoy, Van Wert County, Ohio, (the Village) as and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 20, 2006, wherein we noted the Village follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Controls 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 an opinion 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 caused by error or fraud 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 November 20, 2006.

Compliance and Other Matters

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, contracts, grant agreements and other matters, 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*.

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

Charles E. Harris & Associates, Inc.

November 20, 2006

VILLAGE OF CONVOY
VAN WERT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain: Per ADAM 2001-10- Disclose the current year finding in this schedule
2003-001	ORC Section 117.28 - Finding For Recovery	Yes	Fully Corrected, Repaid in 2004



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
JANUARY 16, 2007**