



**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 - 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF OHIO CITY
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 Ohio City
Van Wert County
103 Main Street, P.O. Box 246
Ohio City, Ohio 45874

To the Village Council:

We have audited the accompanying financial statements of the Village of Ohio City, Van Wert County, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 described 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, 2000 and 1999, 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 August 7, 2001 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 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 the management and 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

August 7, 2001

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	<u>Governmental Fund Type</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$33,916	\$23,804	\$157,519	\$215,239
Intergovernmental Receipts	50,061	31,856		81,917
Charges for Services	18,367	5,521		23,888
Fines, Licenses, and Permits	1,857			1,857
Earnings on Investments	23,197			23,197
Miscellaneous	7,529			7,529
Total Cash Receipts	134,927	61,181	157,519	353,627
Cash Disbursements:				
Current:				
Security of Persons and Property	58,117	34,274		92,391
Public Health Services	3,137			3,137
Leisure Time Activities	5,781			5,781
Community Environment	61			61
Basic Utility Service	1,455			1,455
Transportation		44,697		44,697
General Government	66,570		15,282	81,852
Debt Service	5,637			5,637
Capital Outlay	13,609	20,106		33,715
Total Disbursements	154,367	99,077	15,282	268,726
Total Receipts Over/(Under) Disbursements	(19,440)	(37,896)	142,237	84,901
Other Financing Receipts/(Disbursements):				
Transfers-In	16,994	36,438		53,432
Transfers-out			(130,537)	(130,537)
Total other financing receipts/(disbursements)	16,994	36,438	(130,537)	(77,105)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,446)	(1,458)	11,700	7,796
Fund cash balances January 1, 2000	21,571	50,369	59,248	131,188
Fund cash balances, December 31, 2000	\$19,125	\$48,911	\$70,948	\$138,984

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$613,385		\$613,385
Operating Cash Disbursements:			
Personal Services	115,221		115,221
Travel Transportation	1,040		1,040
Contractual Services	327,090		327,090
Supplies and Materials	66,370		66,370
Capital Outlay	28,770		28,770
Total operating cash disbursements	<u>538,491</u>		<u>538,491</u>
Operating Income	74,894		74,894
Non-Operating Cash Receipts:			
Miscellaneous	1,188		1,188
Other Non-Operating Receipts		5,353	5,353
Total non-operating cash receipts	1,188	5,353	6,541
Non-Operating Cash Disbursements:			
Debt Service	2,000		2,000
Other Non-Operating Cash Disbursements		5,353	5,353
Total non-operating cash disbursements	<u>2,000</u>	<u>5,353</u>	<u>7,353</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	74,082		74,082
Transfers-In	152,105		152,105
Transfers-Out	<u>(75,000)</u>		<u>(75,000)</u>
Net receipts over disbursements	151,187		151,187
Fund Cash Balances, January 1, 2000	<u>524,055</u>		<u>524,055</u>
Fund Cash Balances, December 31, 2000	<u><u>\$675,242</u></u>	<u><u>\$0</u></u>	<u><u>\$675,242</u></u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Type		Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Cash Receipts:				
Property Tax and Other Local Taxes	\$28,756	\$22,273	\$112,182	\$163,211
Intergovernmental Receipts	54,026	31,418		85,444
Charges for Services	17,218	4,945		22,163
Fines, Licenses, and Permits	3,669			3,669
Earnings on Investments	17,937			17,937
Miscellaneous	14,400			14,400
Total Cash Receipts	136,006	58,636	112,182	306,824
Cash Disbursements:				
Current:				
Security of Persons and Property	70,064	30,889		100,953
Public Health Services	3,250			3,250
Leisure Time Activities	5,479			5,479
Community Environment				0
Transportation		36,028		36,028
General Government	54,246		12,253	66,499
Debt Service	5,637			5,637
Capital Outlay	17,258	600		17,858
Total Disbursements	155,934	67,517	12,253	235,704
Total Receipts Over/(Under) Disbursements	(19,928)	(8,881)	99,929	71,120
Other Financing Receipts/(Disbursements):				
Sale of fixed assets	4,099			4,099
Transfers-In	6,811	13,919		20,730
Transfers-Out			(96,305)	(96,305)
Total other financing receipts/(disbursements)	10,910	13,919	(96,305)	(71,476)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,018)	5,038	3,624	(356)
Fund cash balances January 1, 1999	30,589	45,331	55,624	131,544
Fund cash balances, December 31, 1999	<u>\$21,571</u>	<u>\$50,369</u>	<u>\$59,248</u>	<u>\$131,188</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$606,502		\$606,502
Miscellaneous	140		140
Total operating cash receipts	606,642		606,642
Operating Cash Disbursements:			
Personal services	110,819		110,819
Travel transportation	888		888
Contractual services	331,861		331,861
Supplies and Materials	52,605		52,605
Capital outlay	45,558		45,558
Total operating cash disbursements	541,731		541,731
Operating Income	64,911		64,911
Non-Operating Cash Receipts:			
Miscellaneous	23,222		23,222
Other non-operating receipts	40,765	19,860	60,625
Total non-operating cash receipts	63,987	19,860	83,847
Non-Operating Cash Disbursements:			
Debt Service	2,000		2,000
Other Non-Operating Cash Disbursements	11,282	19,860	31,142
Total non-operating cash disbursements	13,282	19,860	33,142
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	115,616		115,616
Transfers-in	100,575		100,575
Transfers-out	(25,000)		(25,000)
Net receipts over disbursements	191,191		191,191
Fund Cash Balances, January 1, 1999	332,864		332,864
Fund Cash Balances, December 31, 1999	\$524,055	\$0	\$524,055

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the 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

Repurchase agreements are valued at cost.

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.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

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

VILLAGE OF OHIO CITY
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

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

Utility Improvement Fund - This fund receives transfers-in from the Income Tax Fund to cover the cost of Sewer Improvement Projects and OPWC debt payments.

4. Fiduciary Funds (Trust and Agency Funds)

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

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

Trash Collection Fund - This agency fund receives revenue from Village residents as an agent for Maharg Trash Company.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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. The Village did not use the encumbrance method of accounting.

A summary of 2000 and 1999 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.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 4,597	\$ 4,171
Total deposits	4,597	4,171
Repurchase agreement	809,629	651,072
Total investments	809,629	651,072
Total deposits and investments	\$ 814,226	\$ 655,243

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool

Investments: The Village has a Repurchase\Security Agreement with Van Wert National Bank which has since changed to Community First Bank. This agreement allows the financial institution to invest excess funds in a repurchase agreement account. The financial institution maintains records identifying the Village as owner of these securities and are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 176,387	\$ 151,921	\$ (24,466)
Special Revenue	102,188	97,619	(4,569)
Expendable Trust	125,000	157,519	32,519
Enterprise	763,751	766,678	2,927
Total	\$ 1,167,326	\$ 1,173,737	\$ 6,411

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 194,316	\$ 154,367	\$ 39,949
Special Revenue	117,238	99,077	18,161
Expendable Trust	150,000	145,819	4,181
Enterprise	971,043	615,491	355,552
Total	\$ 1,432,597	\$ 1,014,754	\$ 417,843

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 148,736	\$ 146,916	\$ (1,820)
Special Revenue	76,669	72,555	(4,114)
Expendable Trust	150,000	112,182	(37,818)
Enterprise	644,715	771,204	126,489
Total	\$ 1,020,120	\$ 1,102,857	\$ 82,737

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 166,609	\$ 155,934	\$ 10,675
Special Revenue	101,969	67,517	34,452
Expendable Trust	150,000	108,558	41,442
Enterprise	925,478	580,013	345,465
Total	\$ 1,344,056	\$ 912,022	\$ 432,034

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

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.

One-hundred percent of the expenditures tested for the years 2000 and 1999 were initiated without obtaining the prior certification of the Clerk. Council and the Board of Public Affairs did not exercise the exception outlined above for any of these expenditures.

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.

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. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$29,000	0%
General Obligation Note	<u>10,544</u>	5.50%
Total	<u>\$39,544</u>	

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

The Ohio Public Works Commission Loan (OWPC) loan relates to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWPC has approved up to \$94,500 in loans to the Village for this project. The loan will be repaid in semiannual installments of \$1,000.04 with 0% interest, over 20 years. The scheduled payment amount below assumes that \$40,001.50 was borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed.

The General Obligation Note relates to the emergency purchase of a Fire Truck Chassis. The Note was issued for \$20,000 with 5.50% interest over 4 years with a semi-annual payment of \$2,818.73 which includes interest.

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

<u>Year ending December 31</u>	<u>OWPC Loan</u>	<u>General Obligation Notes</u>
2001	\$2,000	\$5,638
2002	2,000	5,637
2003	2,000	0
2004	2,000	0
2005	2,000	0
Subsequent	<u>19,000</u>	<u>0</u>
Total	<u>\$29,000</u>	<u>\$11,275</u>

During July, 1999, the Village signed loan papers with the OPWC for a \$230,000 interest free loan to be repaid over 20 years. This loan was for the Phase I waterline project (Skinner Street). As of December 31, 2000, the Village had not made any payments to the contractor, nor had any loan proceeds been received. During July, 1999, the Village signed loan papers with the OPWC for a \$238,000 Phase IV Sewer loan. The loan is for 20 years with an interest rate of 2%. As of December 31, 2000, the project had not been started.

6. RETIREMENT SYSTEMS

The Village's employees and officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January 1999 through June 2000 and an amount equal to 8.13% of participants' gross salaries for July 2000 through December 2000. The Village has paid all contributions required through December 31, 2000.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

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

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

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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 ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ohio City, Van Wert County, (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated August 7, 2001. 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, contracts and grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30281-001 through 2000-30281-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 7, 2001.

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. 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 Village'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 as items 2000-30281-004 and 2000-30281-005.

**Internal Control Over Financial Reporting
(Continued)**

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, we believe all the reportable conditions described above to be material weaknesses. We also 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 August 7, 2001.

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

Jim Petro
Auditor of State

August 7, 2001

VILLAGE OF OHIO CITY
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-30281-001
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Finding for Recovery

Kristi Gengler, Utility Collector, was responsible for calculating and preparing utility bills, posting to the utility billing and receipts journal, collecting revenues and preparing/making deposits. The total amount collected documented on the utility billing stubs was \$15,675.98 more than the deposits made to the Village's bank account for the period January 1, 1999 through August 5, 2000. Pursuant to the postings made to the utility receipts ledger and the report of collections given to the Village Clerk, the garbage revenues deposited were short by \$15,549.98 and the electric revenues were short by \$126.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Kristi L. Gengler, Utility Collector, and the Western Surety Company, her bonding company, jointly and severally, in the amount of \$15,675.98 in favor of the Garbage Agency Fund (\$15,549.98) and in favor of the Electric Enterprise Fund (\$126).

Finding Number	2000-30281-002
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Finding for Recovery

Kristi Gengler, Utility Collector, was responsible for calculating and preparing utility bill, posting to the utility billing and receipts journal, collecting revenues and preparing/making deposits. Review of the utility stubs and the electric billing journal disclosed that some of the electric billed amounts in the journal and amounts received on the stubs were altered with white out in amounts ranging from \$10 to \$60 after the customers were billed and revenues were collected by the utility collector. Pursuant to recalculation of the electric bills, based upon the usage per the meter books, it was noted that the original charges in the billing journal and on the utility stubs were correct. The Village did not offer any kind of discount to account for the differences. The correct original charges on the utility stubs (based on the meter readings) were included on the calculator tapes prepared by the utility collector for each days collections. These tapes of daily collections and recalculation of electric bills, based upon the meter books, totaled \$1,130 more than deposits made to the Village's bank account and the report of collections given to the Village Clerk for the period May 13, 2000 to August 16, 2000.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Kristi L. Gengler, Utility Collector, who was responsible for the billing, collection, deposit and recording of the Electric service revenues, and the Western Surety Company, her bonding company, jointly and severally, in the amount of \$1,130 in favor of the Electric Enterprise Fund.

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

Finding Number	2000-30281-003
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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.

One-hundred percent of the expenditures tested for the years 2000 and 1999 were initiated without obtaining the prior certification of the Clerk. Council did not exercise the exception outlined above for any of these expenditures.

Village officials and management should review Section 5705.41(D) and implement procedures for certification of funds.

Finding Number	2000-30281-004
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SEGREGATION OF DUTIES - UTILITY REVENUES

In an entity the size of the Village, it is usually not cost effective to employ the basic internal controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The utility clerk was responsible for billing, posting to the billing journal, receiving cash, posting to the receipts ledger and depositing.

When one person performs incompatible functions, there is a possibility for errors or irregularities to occur without being detected in the normal course of business operations and did result in a loss of electric and garbage revenues to the Village as funds collected were not deposited.

To strengthen internal accounting and administrative controls, a finance committee should be appointed, comprised of members for the Council or Board of Public Affairs, to periodically review the records to determine that proper procedures are being followed and that the billing journals, receipts journal, utility stubs, and deposits reconcile and agree. In addition to performing such review, the officials' signatures or initials should be affixed to the documents, or other evidence should be retained documenting such review.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2000-30281-005
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DOCUMENTATION OF BILLINGS, COLLECTIONS, AND BALANCES - UTILITIES

The Village should maintain adequate documentation to support the billing fees, collection of receipts and account balances for all unpaid fees related to utility customers. The Village did not maintain customer account records for garbage fees billed, payments received or account balances for unpaid garbage fees.

The lack of adequate account documentation could result in some customers not being billed or delinquent customers not being detected and resulted in a loss of revenues as collected did not equal the revenues deposited.

The Village should maintain customer account records for all services billed. The account records should document the beginning account balance, amount billed, amount received from the customer, applicable penalties and ending account balance.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Plan Taken; or Finding No Longer Valid; Explain:
1998-30281-001	ORC Section 5705.41 (D): No prior certification of funds	No	Not corrected; see finding number 2000-30281-003
1998-30281-002	ORC Section 5705.41 (B) : Actual expenditures exceeding appropriations	Yes	
1998-30281-003	ORC Section 5705.39 : Appropriations exceeding estimated resources	No	Partially corrected; placed in management letter.
1998-30281-004	ORC Section 5705.09 : Establishment of a special fund for revenues that are to be used for a particular purpose	Yes	



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 OHIO CITY

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2001**