



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**CITY OF VAN WERT  
VAN WERT COUNTY**

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the City Council:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash, investments, and combined fund cash balances of the City of Van Wert, Van Wert County, as of December 31, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and actual disbursements, for the year then ended on the basis of accounting described in Note 1.

We performed our audit to form an opinion on the financial statements of the City taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

June 6, 2002

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

	<b>Governmental Fund Types</b>				<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>	
<b>Receipts:</b>					
Taxes	\$3,523,189	\$240,338		\$2,057,900	\$5,821,427
Charges For Services	221,210	2,300		570	224,080
Fines, Forfeitures, Licenses	251,613	49,379			300,992
Revolving Loan Repayments		54,808			54,808
Intergovernmental Receipts	705,735	457,008		232,365	1,395,108
Special Assessments			25,901		25,901
All Other Receipts	375,590	97,251	16,632	4,516	493,989
<b>Total Receipts</b>	<b>5,077,337</b>	<b>901,084</b>	<b>42,533</b>	<b>2,295,351</b>	<b>8,316,305</b>
<b>Disbursements:</b>					
Security of Persons & Property	3,350,085	95,540			3,445,625
Community Environment	37,073	190,818			227,891
Transportation		225,918		529,170	755,088
General Government	1,068,378	32,052	2,892		1,103,322
Leisure Time Activities	341,203			31,653	372,856
Health Services	84,000				84,000
Capital Outlay		6,420		2,405,693	2,412,113
Debt Service		273,081	103,564		376,645
<b>Total Disbursements</b>	<b>4,880,739</b>	<b>823,829</b>	<b>106,456</b>	<b>2,966,516</b>	<b>8,777,540</b>
Total Receipts Over (Under) Disbursements	196,598	77,255	(63,923)	(671,165)	(461,235)
<b>Other Financing Sources (Uses)</b>					
Operating Transfers-In		4,792			4,792
Operating Transfers-Out	(4,792)				(4,792)
Proceeds of Debt		254,500			254,500
Sale of Fixed Assets	3,940				3,940
<b>Total Other Financing Sources (Uses)</b>	<b>(852)</b>	<b>259,292</b>			<b>258,440</b>
Total Receipts And Other Sources Over (Under) Disbursemet And Other Uses	195,746	336,547	(63,923)	(671,165)	(202,795)
Fund Cash Balance January 1	241,431	685,574	126,479	2,342,146	3,395,630
<b>Fund Cash Balance December 31</b>	<b>\$437,177</b>	<b>\$1,022,121</b>	<b>\$62,556</b>	<b>\$1,670,981</b>	<b>\$3,192,835</b>

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

CITY OF VAN WERT  
VAN WERT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary	Fiduciary Fund Types			Total (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	Agency	
<b>Receipts:</b>					
Charges For Services	\$3,341,975	\$859,015			\$4,200,990
Other Operating Receipts	57,551	490,229	1,121		548,901
<b>Total Receipts</b>	<b>3,399,526</b>	<b>1,349,244</b>	<b>1,121</b>		<b>4,749,891</b>
<b>Disbursements:</b>					
Personal Services	1,134,666	77,436			1,212,102
Contract Services		157,526			157,526
Claims		1,109,207			1,109,207
Supplies And Materials	781,995	89,838			871,833
Capital Outlay	1,022,090				1,022,090
<b>Total Disbursements</b>	<b>2,938,751</b>	<b>1,434,007</b>			<b>4,372,758</b>
Total Receipts Over (Under) Disbursements	460,775	(84,763)	1,121		377,133
<b>Non-Operating Receipts (Disbursements)</b>					
Transfers-in	55,000				55,000
Transfers- out	(55,000)				(55,000)
OWDA Loan Proceeds	2,007,576				2,007,576
Debt Service	(2,556,592)				(2,556,592)
Other Non-Operating Disbursements	(643)			(1,116,087)	(1,116,730)
Other Non-Operating Receipts				1,114,136	1,114,136
Taxes				30,315	30,315
Intergovernmental	1,425,350			3,223	1,428,573
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>875,691</b>			<b>31,587</b>	<b>907,278</b>
Net Income	1,336,466	(84,763)	1,121	31,587	1,284,411
Fund Cash Balance January 1	1,297,325	183,763	27,991	61,399	1,570,478
<b>Fund Cash Balance December 31</b>	<b>\$2,633,791</b>	<b>\$99,000</b>	<b>\$29,112</b>	<b>\$92,986</b>	<b>\$2,854,889</b>

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



**CITY OF VAN WERT  
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Fund Types/Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$5,107,414	\$5,081,277	(\$26,137)
Special Revenue Funds	1,273,681	1,160,376	(113,305)
Debt Service Funds	109,000	42,533	(66,467)
Capital Project Funds	2,803,000	2,295,351	(507,649)
<b>Proprietary:</b>			
Enterprise Funds	5,467,000	6,887,452	1,420,452
Internal Service Funds	1,276,762	1,349,244	72,482
<b>Fiduciary:</b>			
Trust Funds	1,500	1,121	(379)
Total (Memorandum Only)	<u>\$16,038,357</u>	<u>\$16,817,354</u>	<u>\$778,997</u>

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

CITY OF VAN WERT  
VAN WERT COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Fund Types/Fund</u>	<u>Prior Year Carryover Appropriations</u>	<u>2001 Appropriations</u>	<u>Total</u>	<u>Actual 2001 Disbursements</u>	<u>Encumbrances Outstanding At 12-31-01</u>	<u>Total</u>
<b>Governmental:</b>						
General Fund	\$20,431	\$5,408,062	\$5,428,493	\$4,885,531	\$101,565	\$4,987,096
Special Revenue Funds	5,732	1,457,619	1,463,351	823,829	3,484	827,313
Debt Service Funds		108,855	108,855	106,456		106,456
Capital Project Funds	567,021	3,858,124	4,425,145	2,966,516	73,761	3,040,277
<b>Proprietary:</b>						
Enterprise Funds		6,271,255	6,271,255	5,550,986	146,863	5,697,849
Internal Service Funds		1,460,462	1,460,462	1,434,007		1,434,007
<b>Fiduciary:</b>						
Trust Funds						
Total (Memorandum Only)	<u>\$593,184</u>	<u>\$18,564,377</u>	<u>\$19,157,561</u>	<u>\$15,767,325</u>	<u>\$325,673</u>	<u>\$16,092,998</u>

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**1. REPORTING ENTITY AND BASIS OF PRESENTATION**

**A. Reporting Entity**

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

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

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

**1. Governmental Funds**

**General Fund**

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

**Special Revenue Funds**

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

**Capital Projects Funds**

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

**Debt Service Funds**

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

**2. Proprietary Funds**

**Enterprise Funds**

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

**Internal Service Fund**

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

**3. Fiduciary Funds**

**Trust and Agency Funds**

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

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

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

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

**3. Appropriations**

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

**4. Encumbrances**

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

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

**B. Property, Plant And Equipment**

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

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

**C. Cash and Cash Equivalents**

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

During 2001, investments were limited to STAROhio, repurchase agreements, federal government securities and certificates of deposit.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2001. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2001.

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

**D. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 2001, and in accordance with the City's sick leave policy, management estimates that \$1,157,104 in sick leave and \$206,884 in vacation leave has been accumulated by the employees of the City. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2001.

**E. Total Columns On Financial Statements**

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

**3. COMPLIANCE**

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

Section 5705.41(D) requires the City Auditor to certify availability of funds prior to a commitment being paid. The City Auditor did not certify the availability of funds for 15% of the expenditures tested.

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

- a. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency services shall be direct issuances of Federal government agencies or instrumentalities;
- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- f. The State Treasurer's investment pool (STAROhio).

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

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

**Deposits:** At year end, the carrying amount of the City's deposits was \$3,192,838 and the bank balance was \$4,761,592. Of the bank balance, \$400,000 was covered by federal deposit insurance and \$4,361,592 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation. The City also had an additional \$1,166,155 on deposit with the OWDA that was used January 2002 to pay down on their outstanding debt.

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

	Risk Category		
	1	Carrying Value	Fair Value
Pension Bonds	254,500	254,500	254,500
STAROhio		1,434,231	1,434,231
Total	254,500	\$1,688,731	\$1,688,731



**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**5. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2001 consisted of the following:

General Obligation Bonds	
Principal Outstanding	\$1,205,000
Interest Rates	4.80 - 9.5%
Ohio Water Development Authority Loans	
Principal Outstanding	\$8,798,197
Interest Rates	3.81 - 4.65%
Taxable Industrial Revenue Bond	
Principal Outstanding	\$328,825
Interest Rate	7.25%
Police and Fire Pension	
Principal Outstanding	\$254,500
Interest Rate	4.00%

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

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

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

Various Purpose Bonds, issued during 1991 for 20 years to cover the costs of acquiring equipment for the municipal wastewater system and pay additional costs for improvements to the treatment facilities. The debt service on the municipal wastewater treatment facilities will be paid from municipal wastewater system revenues.

Ohio Water Development Authority (OWDA) loans relate to 4 outstanding loans as follows: OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to \$1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of \$37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of \$25,486. The OWDA loan number 2549 is being repaid in semiannual installments of \$3,340, including interest, over 20 years which is based upon an amortization schedule developed for a \$92,085 loan. Ohio Water Development Authority (OWDA) loan number 2550 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of \$195,088. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. The City does not have a schedule of payments and this loan is not included in the amortization schedule below, but semi-annual payments are estimated at \$209,061. Ohio Water Development Authority (OWDA) loan number 3576 was a loan that was drawn in 2001 to be used as a payment against OWDA loan number 2550 in 2002. Revenue of the utility facilities have been pledged to repay these costs. The City has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**5. DEBT OBLIGATIONS (Continued)**

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

The Police and Fire Pension Bonds were issued on May 15, 2001 for a period of 6 years to pay off the employer's accrued liability to the Ohio Police and Fire Pension Fund incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. The City is to pay the bond principal and interest from tax levy proceeds.

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

Year ending December 31	General Obligation Bonds	OWDA Loans	Industrial Revenue Bonds	Police & Fire Pension Bonds
2002	\$246,918	\$172,208	\$73,132	\$40,040
2003	239,092	172,208	69,459	41,600
2004	150,878	172,208	65,828	43,160
2005	149,862	172,208	62,112	44,720
2006	148,438	172,208	58,439	46,800
Subsequent	<u>724,607</u>	<u>2,281,137</u>	<u>79,265</u>	<u>48,360</u>
Total	<u>\$1,659,795</u>	<u>\$3,142,177</u>	<u>\$408,235</u>	<u>\$264,680</u>

**6. INCOME TAX**

The City levies an income tax of 1.72 percent on all income earned within the City as well as incomes of residents earned outside the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax is allocated by ordinance and was credited to the following funds in 2001: General fund \$3,162,387, Street Construction fund \$1,423,176, Police and Fire Safety fund \$627,224.

**7. PROPERTY TAX**

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

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**7. PROPERTY TAX (Continued)**

The full tax rate applied to real property, for the calendar year ended December 31, 2001, was \$3.2 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$3.2 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.2 per \$1,000 of assessed valuation for all other real property. Real property owners tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2001, was \$3.2 per \$1,000 of assessed valuation.

Real Property - 2000 Valuation	
Residential/Agricultural	\$85,795,980
Commercial/Industrial	37,651,460
Public Utilities	21,480
Tangible Personal Property - 2001 Valuation	
General	35,657,046
Public Utilities	<u>6,658,300</u>
 Total Valuation	 <u>\$165,784,266</u>

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

**8. RISK MANAGEMENT**

**A. Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2001, the City contracted with Purmort Brothers Insurance Agency for general liability, property, law enforcement and public officials liability insurance. Coverages provided by the insurance are as follows:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Coverage</u>
General Liability	Aggregate	\$4,000,000
	Per occurrence	2,000,000
Public Officials Errors and Omissions	Aggregate	6,000,000
	Per occurrence	2,000,000
Law Enforcement Occurrence Liability	Aggregate	2,000,000
	Wrongful Act	2,000,000
	Each Person	2,000,000
Building and Contents		23,308,000
Auto Liability	Per occurrence	2,000,000
Umbrella Excess Liability	Aggregate	1,000,000
	Per occurrence	1,000,000
Employee Benefits Administration Liability	Aggregate	6,000,000
	Per occurrence	2,000,000

The City pays all elected officials' bonds per statute.

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**8. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

Workers' compensation benefits are provided through the State Bureau of Worker's Compensation. For 2001, the City did not participate in a group rating program because the City of Van Wert was penalty rated due to a 1997 claim. Since then, the City Administration has made strides to manage loss work claims to become eligible for a group-rating program. In an effort to reduce the cost of Workers' Compensation premiums, the City began participating in the BWC 10-step Premium Discount Program.

**C. Employee Medical Benefits**

The City established a medical self-insurance fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$35,000 for each individual. The City purchased commercial insurance for claims in excess of coverage provided by the fund. The City has contracted with North Shore Administrators of Sandusky, Ohio to be the administrator of this Program. Settled claims have not exceeded the fund's coverage or stop-loss insurance coverage in 2001. The City does not anticipate being responsible for any costs that exceed the stop-loss insurance coverage.

All funds of the City participate in the program and make payments to the medical self-insurance fund based on a set rate per employee for single or family coverage. During 2001, a total of \$157,526 was paid for administrative fees and premiums and \$1,109,207 was paid for claims and benefits.

**9. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2001, 2000, and 1999 were \$272,515, \$205,862, and \$255,699 respectively. The full amount has been contributed for 2000 and 1999. 92.57% has been contributed for 2001.

**B. Ohio Police and Fire Pension Fund**

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.5 percent for firefighters. For 2000, the City contributions were 12.25 percent for police and 16.75 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$183,448.95 and \$197,796.83 for the year ended December 31, 2001, \$186,136 and 191,578 for the year ended December 31, 2000, and \$178,931 and \$188,758 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 78.64 percent and 77.02 percent, respectively, have been contributed for 2001.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate state system. As of December 31, 2001, seven reserve firemen and three council members and one acting judge have elected Social Security. The City's liability is 6.2 percent of wages paid.

**10. POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System (PERS)**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for the year 2001. For 2000, the contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PER's latest actuarial review performed as of December 31, 2000, included a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**10. POSTEMPLOYMENT BENEFITS (Continued)**

The number of active contributing participants was 411,076. The City's actual contributions in 2001 which were used to fund post employment benefits were \$86,481. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.60 million and \$2,628.7million, respectively.

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

**B. Police and Firemen's Disability and Pension Fund**

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care cost paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total police employer contribution is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll is applied to the postemployment health care program for police and 7.50 percent for fire. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$68,205 for police and \$61,812 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

**11. CONTRACTUAL COMMITMENTS**

The City had entered into the following contractual commitment as of December 31, 2001:

Fire & Safety Services Inc. Fire Engine	\$664,692
Schumm Plumbing Wastewater Treatment Plant Improvements	\$5,888

**CITY OF VAN WERT  
VAN WERT COUNTY**

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

**12. CONTINGENT LIABILITIES**

**A. Litigation**

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

**B. Grants**

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

**CITY OF VAN WERT - VAN WERT COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> (Passed through Ohio Department of Development)				
Community Development Block Grant/State's Program	A-C-98-191-1	14.228	(\$8,880)	\$0
Formula	A-F-01-191-1	14.228	6,400	6,400
Formula	A-F-00-191-1	14.228	4,510	4,336
Formula	A-F-99-191-1	14.228	44,717	44,717
Formula	A-F-97-191-1	14.228	(1,629)	0
Economic Development Total	A-E-99-191-1	14.228	<u>225,000</u> 270,118	<u>226,216</u> 281,669
Home Investment Partnership (HOME) Program Total	A-C-98-191-2	14.239	<u>(299)</u> <u>(299)</u>	<u>0</u> <u>0</u>
Total United States Department of Housing and Urban Development			269,819	281,669
<b>UNITED STATES ENVIRONMENTAL PROTECTION AGENCY</b>				
Direct Program				
Surveys, Studies, Investigations and Special Purposes	N/A	66.606	1,425,350	1,425,350
Total United States Environmental Protection Agency			<u>1,425,350</u>	<u>1,425,350</u>
Total Federal Assistance			<u>\$1,695,169</u>	<u>\$1,707,019</u>

*See Accompanying Notes to the Schedule of Federal Awards Expenditures*



**CITY OF VAN WERT  
VAN WERT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2001**

**NOTE A-SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B-MATCHING REQUIREMENTS**

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

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

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

These loans are collateralized by mortgages on the property and UCC Equipment. At December 31, 2001, the gross amount of loans outstanding under this program were \$595,301. Delinquent amounts due were \$391,104.

**NOTE D – UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA) GRANT**

During June of 1999, the City obtained a loan from the Ohio Water Development Authority (OWDA) for wastewater treatment plant improvements. During 2001, the City obtained a \$1,425,350 grant from the EPA that was used to repay a portion of the OWDA loan.

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

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

To the City Council:

We have audited the financial statements of the City of Van Wert, (the City), as of and for the year ended December 31, 2001, and have issued our report thereon dated June 6, 2002, wherein we noted that the City has continued to follow the basis of accounting previously prescribed by the Auditor of State rather than generally accepted accounting principles which is now required. We conducted our audit in accordance with 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-20281-001 through 2001-20281-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 6, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-20281-009.

**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 the reportable condition described above is not a material weakness.

We also noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 6, 2002.

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



**Jim Petro**  
Auditor of State

June 6, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the City Council:

**Compliance**

We have audited the compliance of the City of Van Wert, Ohio, (the City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

**Internal Control Over Compliance**

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

**Internal Control Over Compliance  
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Jim Petro**  
Auditor of State

June 6, 2002

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Surveys, Studies, Investigations, and Special Purposes, CFDA# 66.606
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2001-20281-001**

**Finding for Recovery**

Per review of the utility stubs, cancelled checks reproduced by the bank, bank deposits and the U/B Receipts Posting Journal, two instances were noted where the amount paid by the customers included the penalty, however their account was not credited for the penalty amount. The customer checks were deposited. Cash in the amount of \$14.85 was missing from the daily collection and not deposited in order for the deposits and the U/B Receipts Posting Journal to agree.

Per review of the Final Billings Journal, cancelled checks reproduced by the bank, bank deposits, U/B Receipts Posting Journal, and the U/B Delinquent Journal, five instances were noted where customers paid their final bills, however the stubs were destroyed and their accounts were not credited with the payment. The customer checks were deposited. Cash in the amount of \$189.76 was missing from the daily collection and not deposited in order for the deposits and the U/B Receipts Posting Journal to agree.

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 Clerk, and the St. Paul Insurance Company, her bonding company, jointly and severally, in the amount of \$204.61 in favor of the Water Fund (\$102.70) and in favor of the Sewer Fund (\$101.91).

In the Van Wert Common Peas Court, Case number CR 02-05-068, The State of Ohio vs. Krsiti L. Gengler, on May 22, 2002, Kristi Gengler was convicted of Theft in Office, a violation of O.R.C. 2921.41(A)(2), and a felony of the 5<sup>th</sup> degree.

**FINDING NUMBER 2001-20281-002**

**Finding for Recovery**

City of Van Wert, Ordinance No 6955-99 (1999), states that the salary for the office of Law Director, for the period beginning January 1, 2001, be set at the sum of \$35,000 per year and for the period beginning January 1, 2002, \$36,000 per year. In addition to this salary, the Law Director invoiced, and was paid by the City an additional \$17,307.60 during the time frame of January 1, 2001 through March 8, 2002. These payments were for services that were part of his official duties as the Law Director (ex. preparation of ordinances and resolutions, preparation of law director files, interviewing victims, police officers and witnesses, etc.) for which he was already compensated.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money illegally expended is hereby issued against George Crummey, Law Director, and the Ohio Farmers Insurance Company, his bonding company, jointly and severally, in the amount of \$17,307.60 in favor of the General Fund (\$4,471.16), in favor of the Water Fund (\$4,278.73), in favor of the Sewer Fund (\$4,278.98), and in favor of the Street Construction Fund (\$4,278.73).



#### **FINDING NUMBER 2001-20281-003**

**Ohio Ethics Commission Advisory Opinion 91-008** provides that Ohio Rev Code Section 102.03(E) prohibits a law director from accepting, for the duration of his term, an increase in compensation enacted by city council during his current term of office. Further, Ohio Rev Code Section 102.03(D) prohibits a city law director from using the authority or influence of his position to secure an in-term increase in compensation.

The law director invoiced, and was paid by the City \$17,307.60 during the time frame January 1, 2001 through March 8, 2002. These payments were for services that were part of his official duties as law director (ex. preparation of ordinances and resolutions, preparation of law director files, interviewing victims, police officers and witnesses, etc.) for which he was already compensated, which resulted in the law director accepting an increase in compensation, in term.

The matter is being referred to the Van Wert County Prosecutor and the Ohio Ethics Commission.

#### **FINDING NUMBER 2001-20281-004**

**Ohio Rev Code Section 5705.10** states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

The City received \$51,036.90 in Homestead and Rollback revenue of which \$3,223.33 was to be distributed to the Cemetery Fund, \$4,834.97 was to be distributed to the Fire Pension Fund, \$4,834.97 was to be distributed to the Police Pension Fund and the remaining \$38,143.63 was to be distributed to the General Fund. However, all of the revenue was posted to the General Fund.

An adjustment has been made against the General Fund for \$12,893.27 in favor of the Cemetery Fund for \$3,223.33, the Fire Pension Fund for \$4,834.97, and the Police Pension Fund for \$4,834.97. The accompanying financial statements reflect the above noted adjustment and the adjustment has been posted to the accounting records of the City.

#### **FINDING NUMBER 2001-20281-005**

**Ohio Admin. Code Section 117-2-03 (B)** requires the City to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

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

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

**FINDING NUMBER 2001-20281-006**

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

The City entered into a water pollution control loan fund agreement for the wastewater treatment plant improvements project where the requests submitted for disbursements were made by the Ohio Water Development Authority directly to the contractor. Project pay requests totaling four hundred and four thousand four hundred and fifty five dollars (\$404,455) were approved and issued during 2001; therefore, an audit adjustment to both revenue and expenses in the amount of four hundred and four thousand four hundred and fifty five dollars (\$404,455) was required to be posted to the Sewer Fund financial statements as Capital Outlay and Proceeds of Notes in order to reflect the financial benefit.

The City also entered into a water pollution control loan fund agreement during 2001 with the Ohio Water Development Authority (OWDA) for \$1,166,155. The loan proceeds will be used to pay down a portion of the principal of the 508SRF loan in 2002. The transaction has handled internally by OWDA, therefore, the City did not physically receive a check in the amount of \$1,166,155. The City did not post the loan proceeds to the City's financial report.

When the City benefits from a loan in which payments are made directly to the loaner, the City should record the revenue and a corresponding expenditure in the appropriate fund at the time the payment is issued to the loaner or grantor.

**FINDING NUMBER 2001-20281-007**

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

The City included the principal balance of the non-expendable trust fund in the December 31, 2000 certificate of total amount from all sources available for expenditure. Also, encumbrances at December 31, 2000 were not properly excluded from the balances at January 1, 2001. For the Capital Projects fund this amount was \$567,021.

The City should implement procedures to ensure that the certificate excludes the principal balance of the nonexpendable trust fund and includes all encumbrances at year end.

**FINDING NUMBER 2001-20281-008**

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

For 15% of the expenditures tested, the City honored expenditures for which there was no prior certification from the fiscal officer (City Auditor) or the certification of the fiscal officer was not valid due to the absence of the date of certification.

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

**FINDING NUMBER 2001-20281-009**

**Audit Committee**

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

The Audit Committee should be actively involved in:

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

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

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

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2001**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2000-20281-001	Ohio Rev. Code 117.28 - Finding for Recovery of Overpayment of Salary	Yes	
2000-20281-002	Ohio Rev. Code 5735.27(A)(1) and (A)(2) – Distribution and Use of Gas Tax	No	Partially Corrected – Citation will be repeated in the Management Letter
2000-20281-003	Posting of Municipal Court Fines and Costs	Yes	
2000-20281-004	Ordinance #7000-99 – Distribution of Income Tax	Yes	
2000-20281-005	Ohio Rev. Code 5735.28 – Use of State Highway Improvement Funds	Yes	
2000-20281-006	Ohio Rev. Code 5705.10 – Sources and Uses of Funds	No	Not corrected, see Finding Number 2001-20281-004
2000-20281-007	Ohio Administrative Code 117-2-03 (B) 1 – Preparing of Financial Statements in Accordance with General Accepted Accounting Principles.	No	Not corrected, see Finding Number 2001-20281-005
2000-20281-008	Ohio Rev. Code 733.11 - Maintenance of Accurate Financial Records	No	Not corrected, see Finding Number 2001-20281-006
2000-20281-009	Ohio Rev. Code 5705.10 - Deficit Fund Balances	Yes	
2000-20281-010	Ohio Rev. Code 5705.36 – Certification of Funds to the County Auditor	No	Not corrected, see Finding Number 2001-20281-007
2000-20281-011	Ohio Rev. Code 5705.38- Annual Appropriation Resolution	Yes	
2000-20281-012	Ohio Rev. Code 5705.41(D)- Prior Certification of Funds	No	Not corrected, see Finding Number 2001-20281-008

**CITY OF VAN WERT  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2001  
(Continued)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2000-20281-013	Monitoring of Financial Reports and Budget	Yes	
2000-20281-014	Disbursement Procedures	No	Partially corrected, modified and repeated in the Management Letter
2000-20281-015	Internal Controls Over Compliance	Yes	
2000-20281-016	Insurance Claims Processing - SAS 70	Yes	
2000-20281-017	Payroll Control Procedures	Yes	
2000-20281-018	OWDA Draw Down Requests	Yes	
2000-20281-019	Audit Committee	No	Not corrected, see Finding Number 2001-20281-009
2000-20281-020	Distribution of Salaries and Fringes	Yes	
2000-20281-021	CDBG/CHIP Grant – Allowable Cost Noncompliance	Yes	
2000-20281-022	CDBG/CHIP Grant – Earmarking and Allowable Cost Noncompliance	Yes	
2000-20281-023	CDBG/CHIP Grant – Period of Availability and Allowable Cost Noncompliance	Yes	
2000-20281-024	CDBG/CHIP Grant – Allowable Costs and Reporting Noncompliance	Yes	
2000-20281-025	CDBG/CHIP Grant – Reporting Noncompliance	Yes	
2000-20281-026	CDBG/CHIP Grant – Reporting Noncompliance	Yes	
2000-20281-027	CDBG/CHIP Grant – CDBG Grant Expenditures/Contract with the Grant Consultant	Yes	
2000-20281-028	CDBG/CHIP Grant – Contract Payments for 1999 Economic Development Grant	Yes	

**CITY OF VAN WERT  
VAN WERT COUNTY**

**CORRECTIVE ACTION PLAN**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Completion Date</b>	<b>Responsible Contact</b>
2001-20281-001	Recovery is being sought from the bonding company.	07-31-02	Jay Fleming
2001-20281-002	The intention of the City was to reimburse Crummey Law firm for secretarial services performed on behalf of the City. The City now has a contract with Crummey Law firm for secretarial services and payment is made on a reimbursement basis only.	03-27-02	Mayor Gehres
2001-20281-003	No current action being taken		
2001-21081-004	Adjustment made during audit	05-30-02	
2001-20281-005	No current action being taken		
2001-20281-006	Adjustment made during audit	05-30-02	
2001-20281-007	Correction noted for future reporting		Martha Balyeat
2001-202811-008	Working on continued improvement	05-30-02	Martha Balyeat
2001-20281-009	Audit Committee to be established in 2002	12-31-02	Gary Corcoran



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CITY OF VAN WERT**

**VAN WERT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 12, 2002**