

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

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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



Mary Taylor, CPA

Auditor of State

Village Council
Village of Convoy
123 South Main Street
Convoy, Ohio 45832

We have reviewed the *Report of Independent Accountants* of the Village of Convoy, Van Wert County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 9, 2008

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VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

We have audited the accompanying financial statements of the Village of Convoy, Van Wert County (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village, as of December 31, 2007 and 2006, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

May 23, 2008

VILLAGE OF CONVOY
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, 2007

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property and Other Local Taxes	\$ 56,485	\$ 24,284	\$ 80,769
Municipal Income Taxes	140,997	-	140,997
Intergovernmental	79,329	61,516	140,845
Charges for Services	49,763	-	49,763
Fines, Licenses and Permits	659	-	659
Interest	43,206	4,960	48,166
Other	4,148	24,646	28,794
Total Receipts	374,587	115,406	489,993
Disbursements:			
Security of Persons & Property	101,913	20,121	122,034
Public Health Services	7,846	-	7,846
Community Environment	2,153	-	2,153
Basic Utility Services	3,270	-	3,270
Transportation	42,816	18,410	61,226
General Government	128,012	-	128,012
Capital Outlay	28,043	27,765	55,808
Total Disbursements	314,053	66,296	380,349
Receipts over(under) disbursements	60,534	49,110	109,644
Other Financing Sources(Uses)			
Transfers in	-	3,588	3,588
Transfers out	(9,464)	-	(9,464)
Total Other Financing Sources(Uses)	(9,464)	3,588	(5,876)
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	51,070	52,698	103,768
Fund Balance 1/1/2007	596,424	219,748	816,172
Fund Balance 12/31/2007	\$ 647,494	\$ 272,446	\$ 919,940

See accompanying Notes to the Financial Statements.

VILLAGE OF CONVOY
VAN WERT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 238,904
Total Operating Cash Receipts	238,904
Operating Cash Disbursements:	
Personal Services	90,009
Contractual Services	32,539
Supplies and Materials	59,988
Capital Outlay	36,331
Miscellaneous	2,700
Total Operating Cash Disbursements	221,567
Operating Income (Loss)	17,337
Non-Operating Cash Receipts/(Disbursements)	
Other	4,923
Debt Service:	
Principal Payment	(26,960)
Interest and Other Fiscal Charges	(12,649)
Total Non-Operating Cash Receipts/(Disbursements)	(34,686)
Net Receipts (Under) Disbursements before Transfers	(17,349)
Transfers in	5,876
Net Receipts (Under) Disbursements	(11,473)
Fund Cash Balances, January 1, 2007	236,973
Fund Cash Balances, December 31, 2007	\$ 225,500

See accompanying Notes to the Financial Statements.

VILLAGE OF CONVOY
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, 2006

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 57,177	\$ 24,848	\$ -	\$ 82,025
Municipal Income Taxes	135,585	-	-	135,585
Intergovernmental	54,480	57,324	129,512	241,316
Charges for Services	52,804	-	-	52,804
Fines, Licenses and Permits	529	-	-	529
Interest	34,630	3,779	-	38,409
Other	3,079	13,342	-	16,421
Total Receipts	338,284	99,293	129,512	567,089
Disbursements:				
Security of Persons & Property	99,648	79,945	-	179,593
Public Health Services	7,511	-	-	7,511
Community Environment	2,258	-	-	2,258
Basic Utility Services	1,887	-	-	1,887
Transportation	50,390	27,391	-	77,781
General Government	116,081	-	-	116,081
Capital Outlay	20,233	32,031	140,608	192,872
Total Disbursements	298,008	139,367	140,608	577,983
Receipts over(under) disbursements	40,276	(40,074)	(11,096)	(10,894)
Other Financing Sources(Uses)				
Proceeds of Note	-	-	11,096	11,096
Transfers in	-	894	-	894
Transfers out	(5,909)	-	-	(5,909)
Total Other Financing Sources(Uses)	(5,909)	894	11,096	6,081
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	34,367	(39,180)	-	(4,813)
Fund Balance 1/1/2006	562,057	258,928	-	820,985
Fund Balance 12/31/2006	\$ 596,424	\$ 219,748	\$ -	\$ 816,172

See accompanying Notes to the Financial Statements.

VILLAGE OF CONVOY
VAN WERT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 228,111
Total Operating Cash Receipts	228,111
Operating Cash Disbursements:	
Personal Services	83,490
Contractual Services	29,518
Supplies and Materials	54,289
Capital Outlay	62,482
Miscellaneous	1,750
Total Operating Cash Disbursements	231,529
Operating Income (Loss)	(3,418)
Non-Operating Cash Receipts/(Disbursements)	
Other	4,034
Debt Service:	
Principal Payment	(27,422)
Interest and Other Fiscal Charges	(13,869)
Total Non-Operating Cash Receipts/(Disbursements)	(37,257)
Net Receipts (Under) Disbursements before Transfers	(40,675)
Transfers in	5,015
Net Receipts (Under) Disbursements	(35,660)
Fund Cash Balances, January 1, 2006	272,633
Fund Cash Balances, December 31, 2006	\$ 236,973

See accompanying Notes to the Financial Statements.

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursement basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

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

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost.

D. FUND ACCOUNTING

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

Governmental Fund Types:

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

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING – (continued)

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

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

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

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

FEMA Grant Fund – This fund is used to receive and account for federal grant monies restricted to clean air technology in Village facilities.

Water Tower Improvements Fund – This fund is used to receive and account for Village monies used to improve the Village water tower.

Proprietary Fund Types:

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

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

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

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

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS

1. Estimated Resources

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

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

On or about January 1, the Clerk/Treasurer sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Clerk/Treasurer. The amounts reported in Note 5 reflect the amounts in the final amended certificates issued during 2007 and 2006.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

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

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

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Unencumbered appropriations lapse at year-end.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

3. Encumbrances – (Continued)

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

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2007	2006
Demand deposits	\$ 246,610	\$ 639,909
Certificates of deposit	898,830	413,236
Total deposits	\$ 1,145,440	\$ 1,053,145

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

3. PROPERTY TAXES

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

Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio.

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

3. PROPERTY TAXES – (continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost.

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

4. LOCAL INCOME TAX

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

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

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>2007 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund Types</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 457,963	\$ 323,517	\$ 134,446
Special Revenue	141,200	66,296	74,904
Enterprise	310,320	261,176	49,144
Total	<u>\$ 909,483</u>	<u>\$ 650,989</u>	<u>\$ 258,494</u>

<u>2007 Budgeted vs Actual Receipts</u>			
<u>Fund Types</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 360,486	\$ 374,587	\$ 14,101
Special Revenue	98,095	118,994	20,899
Enterprise	255,000	249,703	(5,297)
Total	<u>\$ 713,581</u>	<u>\$ 743,284</u>	<u>\$ 29,703</u>

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

5. BUDGETARY ACTIVITY – (continued)

2006 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Fund Types</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 469,642	\$ 303,917	\$ 165,725
Special Revenue	176,400	139,367	37,033
Capital Projects	140,608	140,608	-
Enterprise	334,200	272,820	61,380
Total	\$ 1,120,850	\$ 856,712	\$ 264,138

2006 Budgeted vs Actual Receipts			
<u>Fund Types</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 338,200	\$ 338,284	\$ 84
Special Revenue	99,530	100,187	657
Capital Projects	140,608	140,608	-
Enterprise	247,600	237,160	(10,440)
Total	\$ 825,938	\$ 816,239	\$ (9,699)

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	Balance 12/31/2007
Ohio Water Development Authority Loan	\$ 153,550
Ohio Public Works Commission Loan (CM11I)	10,265
Ohio Public Works Commission Loan (CM32E)	65,346
	\$ 229,161

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant update project. The loans will be repaid in semiannual installments of \$19,051, including interest, over 25 years beginning in 1988. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The balance at 1/1/2006 was overstated by \$5,343.

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. DEBT – (continued)

The Ohio Public Works Commission Loan CM11I is for repairs to the Village Water Tower. The loan will be repaid in semiannual installments of \$277 over 20 years beginning in 2007. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission Loan CM32E relates to the sludge press project. The loans will be repaid in semiannual installments of \$2,108, over 20 years beginning in 2004. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

<u>Year Ending December 31:</u>	<u>Ohio Water Development Authority</u>	<u>Ohio Public Works Commission Loans</u>
2008	\$ 38,103	\$ 4,770
2009	38,103	4,770
2010	38,103	4,770
2011	38,103	4,770
2012	38,103	4,770
2013 - 2017	-	23,850
2018 - 2022	-	23,850
2023 - 2027	-	4,061
Total	\$ 190,515	\$ 75,611

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible. The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

7. RISK MANAGEMENT – (continued)

The Pool's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

	2006	2005
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	3,329,620	2,748,639
Member's Equity	\$ 6,290,528	\$ 5,470,791

8. RETIREMENT SYSTEM

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

Contributions rates are prescribed by the Ohio Revised Code. During 2007 and 2006 the Village's OPERS members contributed 9.5 percent and 9.0 percent, respectively, of their gross salaries. The Village contributed an amount equal to 13.85% for 2007 and 13.70% for 2006 of participant's gross salaries. The Village has paid all contributions required through December 31, 2007.

9. INTERFUND-TRANSFERS

During 2007 the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 9,464
Special Revenue Funds:		
EMS Memorial Fund	425	-0-
Fire & EMS Fund	3,163	-0-
Enterprise Funds:		
Water & Operating Fund	1,176	-0-
Emergency Water Fund	3,853	-0-
Sewer Operating Fund	183	-0-
OWDA Fund	664	-0-
Total	\$ 9,464	\$ 9,464

**VILLAGE OF CONVOY
VAN WERT COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

9. INTERFUND-TRANSFERS – (continued)

During 2006 the Village made the following transfers:

Fund	Transfers In	Transfers Out
General Fund	\$ -0-	\$ 5,909
Special Revenue Fund:		
Fire & EMS Fund	894	-0-
Enterprise Funds:		
Water & Operating Fund	1,078	-0-
Emergency Water Fund	1,908	-0-
Sewer Operating Fund	1,195	-0-
Sewer Replacement Fund	417	-0-
OWDA Fund	<u>417</u>	<u>-0-</u>
Total	<u>\$ 5,909</u>	<u>\$ 5,909</u>

The transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

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

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

Village of Convoy
Van Wert County
232 West Main Street
Convoy, Ohio 45363

To the Village Council:

We have audited the financial statements of the Village of Convoy, Van Wert County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 23, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated May 23, 2008.

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

Charles E. Harris & Associates, Inc.

May 23, 2008

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2005 and 2004, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CONVOY

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2008**