



**VILLAGE OF CONVOY
VAN WERT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Convoy
Van Wert County
P.O. Box 310
Convoy, Ohio 45832

To the 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, 1999 and December 31, 1998. 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 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

JIM PETRO
Auditor of State

February 25, 2000

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

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Local taxes	\$164,392	\$11,684	\$0	\$176,076
Intergovernmental	48,366	40,378	0	88,744
Charges for services	30,750	0	0	30,750
Fines, licenses, and permits	673	0	0	673
Interest	30,493	4,450	0	34,943
Miscellaneous	13,848	18,822	0	32,670
Total Cash Receipts	288,522	75,334	0	363,856
Cash Disbursements:				
Current:				
Security of persons and property	104,289	8,003	0	112,292
Public health services	4,757	0	0	4,757
Community environment	1,645	0	0	1,645
Basic utility services	1,601	0	0	1,601
Transportation	32,258	28,963	0	61,221
General government	81,962	0	0	81,962
Capital outlay	0	69,727	240,697	310,424
Total Cash Disbursements	226,512	106,693	240,697	573,902
Total receipts over/(under) disbursements	62,010	(31,359)	(240,697)	(210,046)
Other financing receipts/(disbursements):				
Transfers-in	0	0	244,030	244,030
Transfers-out	(255,729)	0	0	(255,729)
Total other financing receipts/(disbursements)	(255,729)	0	244,030	(11,699)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(193,719)	(31,359)	3,333	(221,745)
Fund cash balances, January 1, 1999	436,488	137,882	0	574,370
Fund cash balances, December 31, 1999	\$242,769	\$106,523	\$3,333	\$352,625

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

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

	Enterprise
Cash Receipts:	
Charges for services	\$185,249
Miscellaneous	7,369
	192,618
Cash Disbursements:	
Personal services	56,928
Employee fringe benefits	15,006
Contractual services	23,165
Supplies and materials	44,754
Miscellaneous	1,590
	141,443
Total Cash Receipts	192,618
Total Cash Disbursements	141,443
Operating income/(loss)	51,175
Non-operating cash disbursements:	
Debt service - principal	(14,095)
Debt service - interest	(24,008)
	(\$38,103)
Total non-operating cash receipts and disbursements	(\$38,103)
Income before operating transfers and advances	13,072
Transfer-In	11,699
Net Income	24,771
Fund cash balances, January 1, 1999	211,599
Fund cash balances, December 31, 1999	\$236,370

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	GOVERNMENTAL FUND TYPES			Total (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local taxes	\$165,774	\$0	\$11,267	\$177,041
Intergovernmental	54,141	37,839	0	91,980
Charges for services	22,750	0	0	22,750
Fines, licenses, and permits	1,035	0	0	1,035
Interest	44,966	5,430	0	50,396
Miscellaneous	18,015	50,238	0	68,253
Total Cash Receipts	306,681	93,507	11,267	411,455
Cash Disbursements:				
Current:				
Security of persons and property	82,143	3,311	0	85,454
Public health services	4,746	0	0	4,746
Community environment	1,432	0	0	1,432
Basic utility services	3,688	0	0	3,688
Transportation	28,327	14,126	0	42,453
General government	74,335	0	0	74,335
Capital outlay	18,315	41,792	0	60,107
Debt Service	0	0	8,316	8,316
Total Cash Disbursements	212,986	59,229	8,316	280,531
Total receipts over/(under) disbursements	93,695	34,278	2,951	130,924
Other financing receipts/(disbursements):				
Transfers-in	0	5,403	0	5,403
Transfers-out	(3,997)	0	(5,403)	(9,400)
Total other financing receipts/(disbursements)	(3,997)	5,403	(5,403)	(3,997)
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	89,698	39,681	(2,452)	126,927
Fund cash balances, January 1, 1998	346,790	98,201	2,452	447,443
Fund cash balances, December 31, 1998	\$436,488	\$137,882	\$0	\$574,370

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>
Cash Receipts:	
Charges for services	\$161,728
Miscellaneous	11,733
	<hr/>
Total Cash Receipts	173,461
Cash Disbursements:	
Personal services	56,817
Employee Fringe Benefits	11,699
Contractual services	23,314
Supplies and materials	59,247
Capital outlay	11,065
Miscellaneous	2,300
	<hr/>
Total Cash Disbursements	164,442
	<hr/>
Operating income/(loss)	9,019
	<hr/>
Non-operating cash disbursements:	
Debt service - Principal	(13,093)
Debt service - Interest	(25,010)
	<hr/>
Total non-operating cash disbursements	(\$38,103)
	<hr/>
Income before operating transfers and advances	(29,084)
	<hr/>
Transfer-In	3,997
	<hr/>
Net Income	(25,087)
	<hr/>
Fund cash balances, January 1, 1998	236,686
	<hr/>
Fund cash balances, December 31, 1998	<u>\$211,599</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit and the overnight repurchase agreement are valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund (1998 only)

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Debt Service Fund - This fund receives tax revenues for the payment of the debt related to the EMS squad unit.

4. Capital Project Funds (1999 only)

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 project funds:

Municipal Building Construction Fund - This fund receives transfers from the General Fund for the payment of construction costs associated with the new municipal building.

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

5. Enterprise Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	1999	1998
Demand deposits	\$(36,791)	\$26,626
Certificates of deposit	385,801	368,659
Total deposits	349,010	395,285
Repurchase Agreement	239,985	390,684
Total deposits and investments	\$588,995	\$785,969

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

Investments: The Village has a Repurchase/Security Agreement with Firststar. This agreement allows the financial institution to invest excess funds in a repurchase agreement account. The financial institution maintains records identifying the Village as owner of these securities and are not evidenced by securities that exist in physical or book-entry form.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 313,000	\$ 288,522	\$ (24,478)
Special Revenue	80,300	75,334	(4,966)
Capital Projects	348,000	244,030	(103,970)
Enterprise	201,000	204,317	3,317
Total	<u>\$ 942,300</u>	<u>\$ 812,203</u>	<u>\$ (130,097)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 746,887	\$ 482,241	\$ 264,646
Special Revenue	217,796	106,693	111,103
Capital Projects	348,000	240,697	107,303
Enterprise	411,203	179,546	231,657
Total	<u>\$ 1,723,886</u>	<u>\$ 1,009,177</u>	<u>\$ 714,709</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 265,700	\$ 306,681	\$ 40,981
Special Revenue	74,400	98,910	24,510
Debt Service	12,300	11,267	(1,033)
Enterprise	181,500	177,458	(4,042)
Total	<u>\$ 533,900</u>	<u>\$ 594,316</u>	<u>\$ 60,416</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 609,777	\$ 216,983	\$ 392,794
Special Revenue	171,378	59,229	112,149
Debt Service	14,752	13,719	1,033
Enterprise	405,279	202,545	202,734
Total	<u>\$ 1,201,186</u>	<u>\$ 492,476</u>	<u>\$ 708,710</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 299,736	7.65%

The OWDA loan is for the updating of the Village's water and sewer facilities. The loan is paid back in semi-annual installments of \$19,051 which includes interest. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>
2000	\$ 19,051
2001	38,103
2002	38,103
2003	38,103
2004	38,103
Subsequent	304,824
Total	\$ 476,287

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability
- Auto Liability & Auto Physical Damage
- Property Coverage
- Inland Marine Coverage
- Law Enforcement Liability
- Public Officials Liability

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

8. RELATED PARTY TRANSACTIONS

A member of the Board of Public Affairs is part owner of a company which constructed the Village's new municipal building in 1999. The Village followed bidding procedures as required by the Revised Code. Total payments by the Village on this contract was \$115,672.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

Village of Convoy
Van Wert County
P.O. Box 310
Convoy, Ohio 45832

To the 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, 1999 and December 31, 1998, and have issued our report thereon dated February 25, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated February 25, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated February 25, 2000.

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

JIM PETRO
Auditor of State

February 25, 2000



STATE OF OHIO
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VILLAGE OF CONVOY

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**