

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

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008***

***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, 2008 through December 31, 2009. 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

November 18, 2010

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**VILLAGE OF CONVOY  
VAN WERT COUNTY  
AUDIT REPORT  
For Years Ending December 31, 2009 and 2008**

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

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**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, 2009 and 2008. 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, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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, 2009 and 2008, 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, 2009 and 2008, 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 of the Village, as of December 31, 2009 and 2008, 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, 2009 and 2008. 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 October 15, 2010, 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.***

October 15, 2010

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, 2009

	<b>Governmental Fund Types</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
Receipts:				
Property and Other Local Taxes	\$ 58,646	\$ 24,762	\$ -	\$ 83,408
Municipal Income Taxes	136,407	-	-	136,407
Intergovernmental	51,487	52,071	118,022	221,580
Charges for Services	62,605	-	-	62,605
Fines, Licenses and Permits	946	-	-	946
Interest	25,054	1,332	-	26,386
Other	34,054	13,766	-	47,820
<b>Total Receipts</b>	<b>369,199</b>	<b>91,931</b>	<b>118,022</b>	<b>579,152</b>
Disbursements:				
Security of Persons & Property	105,430	21,515	-	126,945
Public Health Services	8,561	-	-	8,561
Community Environment	2,557	-	-	2,557
Basic Utility Services	6,230	-	-	6,230
Transportation	70,876	13,284	-	84,160
General Government	147,290	-	-	147,290
Capital Outlay	37,000	18,916	118,022	173,938
Debt Service:				
Principal Payment	7,121	-	-	7,121
<b>Total Disbursements</b>	<b>385,065</b>	<b>53,715</b>	<b>118,022</b>	<b>556,802</b>
Receipts over(under) disbursements	(15,866)	38,216	-	22,350
Other Financing Sources(Uses)				
Transfers in	-	3,388	-	3,388
Transfers out	(6,516)	-	-	(6,516)
<b>Total Other Financing Sources(Uses)</b>	<b>(6,516)</b>	<b>3,388</b>	<b>-</b>	<b>(3,128)</b>
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(22,382)	41,604	-	19,222
Fund Balance 1/1/2009	624,524	216,242	-	840,766
<b>Fund Balance 12/31/2009</b>	<b>\$ 602,142</b>	<b>\$ 257,846</b>	<b>\$ -</b>	<b>\$ 859,988</b>

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, 2009

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 299,453
Total Operating Cash Receipts	299,453
<b>Operating Cash Disbursements:</b>	
Personal Services	95,129
Contractual Services	27,267
Supplies and Materials	54,339
Miscellaneous	2,730
Total Operating Cash Disbursements	179,465
Excess of Receipts Over/(Under) Disbursements	119,988
<b>Non-Operating Cash Receipts/(Disbursements)</b>	
Miscellaneous Receipts	5,768
Debt Service:	
Principal Payment	(32,866)
Interest and Other Fiscal Charges	(8,904)
Total Non-Operating Cash Receipts/(Disbursements)	(36,002)
Excess of Cash Receipts and Nonoperating Cash Receipts Over (Under) Cash Disbursements and Nonoperating Cash Disbursements Before Transfers	83,986
Transfers in	3,128
Fund Cash Balances, January 1, 2009	243,677
Fund Cash Balances, December 31, 2009	\$ 330,791

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, 2008

	<b>Governmental Fund Types</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
Receipts:				
Property and Other Local Taxes	\$ 58,671	\$ 23,594	\$ -	\$ 82,265
Municipal Income Taxes	136,408	-	-	136,408
Intergovernmental	85,914	46,624	284,480	417,018
Charges for Services	65,131	-	-	65,131
Fines, Licenses and Permits	268	-	-	268
Interest	35,659	1,790	-	37,449
Other	2,980	9,263	-	12,243
<b>Total Receipts</b>	<b>385,031</b>	<b>81,271</b>	<b>284,480</b>	<b>750,782</b>
Disbursements:				
Security of Persons & Property	95,810	5,365	-	101,175
Public Health Services	8,048	-	-	8,048
Community Environment	2,700	-	-	2,700
Basic Utility Services	3,550	-	-	3,550
Transportation	57,868	15,872	-	73,740
General Government	170,351	-	-	170,351
Capital Outlay	63,183	119,000	569,337	751,520
<b>Total Disbursements</b>	<b>401,510</b>	<b>140,237</b>	<b>569,337</b>	<b>1,111,084</b>
Receipts over(under) disbursements	(16,479)	(58,966)	(284,857)	(360,302)
Other Financing Sources(Uses)				
Other Loan Proceeds	-	-	284,857	284,857
Transfers in	-	2,762	-	2,762
Transfers out	(6,491)	-	-	(6,491)
<b>Total Other Financing Sources(Uses)</b>	<b>(6,491)</b>	<b>2,762</b>	<b>284,857</b>	<b>281,128</b>
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements and Other Financing Uses	(22,970)	(56,204)	-	(79,174)
Fund Balance 1/1/2008	647,494	272,446	-	919,940
<b>Fund Balance 12/31/2008</b>	<b>\$ 624,524</b>	<b>\$ 216,242</b>	<b>\$ -</b>	<b>\$ 840,766</b>

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, 2008

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 278,300
Total Operating Cash Receipts	278,300
<b>Operating Cash Disbursements:</b>	
Personal Services	71,353
Contractual Services	22,776
Supplies and Materials	31,366
Capital Outlay	71,800
Miscellaneous	2,638
Total Operating Cash Disbursements	199,933
Operating Income (Loss)	78,367
<b>Non-Operating Cash Receipts/(Disbursements)</b>	
Miscellaneous Receipts	6,993
Capital Outlay	(29,037)
Debt Service:	
Principal Payment	(31,126)
Interest and Other Fiscal Charges	(10,749)
Total Non-Operating Cash Receipts/(Disbursements)	(63,919)
Net Receipts Over/(Under) Disbursements before Transfers	14,448
Transfers in	3,729
Net Receipts Over/(Under) Disbursements	18,177
Fund Cash Balances, January 1, 2008	225,500
Fund Cash Balances, December 31, 2008	\$ 243,677

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, 2009 and 2008**

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, 2009 and 2008**

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, 2009 and 2008**

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 2009 and 2008.

Budget receipts, as shown in Note 5, do not include the unencumbered fund balances as of January 1, 2009 and 2008. 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, 2009 and 2008**

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:

	2009	2008
Demand deposits	\$ 381,316	\$ 551,300
Certificates of deposit	809,463	533,143
Total deposits	\$ 1,190,779	\$ 1,084,443

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Village 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, 2009 and 2008**

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. Tangible personal property taxes were phased out through 2009.

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, 2009 and 2008 follows:

**2009 Budgeted vs Actual Receipts**

Fund	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 367,563	\$ 369,199	\$ 1,636
Special Revenue Funds	108,190	95,319	(12,871)
Capital Projects Fund	118,022	118,022	-0-
Enterprise Funds	276,515	308,349	31,834

**2009 Budgeted vs Actual Budgetary Basis Expenditures**

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 523,134	\$ 391,581	\$ 131,553
Special Revenue Funds	258,200	53,715	204,485
Capital Project Fund	118,022	118,022	-0-
Enterprise Funds	408,900	221,235	187,665

**2008 Budgeted vs Actual Receipts**

Fund	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$ 373,000	\$ 385,031	\$ 12,031
Special Revenue Funds	96,000	84,033	(11,967)
Capital Projects Fund	569,337	569,337	-0-
Enterprise Funds	237,000	289,022	52,022



**VILLAGE OF CONVOY**  
**VAN WERT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

5. BUDGETARY ACTIVITY – (continued)

**2008 Budgeted vs Actual Budgetary Basis Expenditures**

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 543,586	\$ 408,001	\$ 135,585
Special Revenue Funds	238,200	140,237	97,963
Capital Project Fund	569,337	569,337	-0-
Enterprise Funds	361,000	270,845	90,155

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Balance <u>12/31/2009</u>
Ohio Water Development Authority Loan	\$ 98,821
Ohio Public Works Commission Loan (CT38K)	277,737
Ohio Public Works Commission Loan (CM11I)	9,433
Ohio Public Works Commission Loan (CM32E)	<u>56,914</u>
	<u>\$ 442,905</u>

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

The Ohio Public Works Commission Loan 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.

The Ohio Public Works Commission Loan CT38K relates to the Tully Street Reconstruction. The loans will be repaid in semiannual installments of \$7,121 over 20 years beginning in 2009. The loan is backed by the full faith and credit of the Village.

**VILLAGE OF CONVOY  
VAN WERT COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2009 and 2008**

6. DEBT – (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2009 are as follows:

Year Ending December 31:	Ohio Water Development Authority	Ohio Public Works Commission Loans
2010	\$ 37,461	\$ 19,014
2011	37,659	19,014
2012	37,873	19,014
2013	-	19,014
2014	-	19,014
2015 - 2019	-	95,070
2020 - 2024	-	88,470
2025 - 2029	-	65,474
Total	\$ 112,993	\$ 344,084

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 governments (“Members”).

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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from Member to Member.

Plan Members are responsible to notify the Plan of their intent to renew coverages by their renewal date. If a Member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former Member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been significant reductions in insurance coverage from last year.

**VILLAGE OF CONVOY**  
**VAN WERT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>5,286,781</u>	<u>4,273,553</u>
Member's Equity	<u>\$ 5,184,333</u>	<u>\$ 6,862,902</u>

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 2009 and 2008 the Village's OPERS members contribute 10 percent of their gross salaries. The Village contributed an amount equal to 14 percent of participant's gross salaries. The Village has paid all contributions required through December 31, 2009.

9. INTERFUND-TRANSFERS

During 2009 the Village made the following transfers:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -0-	\$ 6,516
Special Revenue Funds:		
EMS Memorial Fund	521	-0-
Fire & EMS Fund	2,867	-0-
Enterprise Funds:		
Water & Operating Fund	3,128	-0-
<b>Total</b>	<u>\$ 6,516</u>	<u>\$ 6,516</u>

**VILLAGE OF CONVOY**  
**VAN WERT COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

9. INTERFUND-TRANSFERS – (Continued)

During 2008 the Village made the following transfers:

<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>
General Fund	\$ -0-	\$ 6,491
Special Revenue Fund:		
EMS Memorial	199	-0-
Fire & EMS Fund	2,563	
Enterprise Funds:		
Water & Operating Fund	464	-0-
Emergency Water Fund	2,901	-0-
Sewer Operating Fund	57	-0-
OWDA Fund	<u>307</u>	<u>-0-</u>
<b>Total</b>	<b>\$ 6,491</b>	<b>\$ 6,491</b>

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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Fax - (216) 436-2411

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

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INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

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

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, 2009 and 2008, and have issued our report thereon dated October 15, 2010, wherein we noted the Village followed the cash basis of accounting, a comprehensive accounting basis other 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 audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

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

### Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Village in a separate letter dated October 15, 2010.

We intend this report solely for the information and use of management, the audit committee, Village Council and others within the Village. We intend it for no one other than these specified parties.

***Charles E. Harris & Associates, Inc.***

October 15, 2010

## **STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the years ending December 31, 2007 and 2006, reported no material citations or recommendations.

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**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  
DECEMBER 7, 2010