



**Auditor of State
Betty Montgomery**

CITY OF VAN WERT
VAN WERT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2002	4
Combined Statement of Receipts - Budget and Actual - For the Year Ended December 31, 2002	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Findings	26
Corrective Action Plan.....	27

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

We have audited the accompanying financial statements of the City of Van Wert, Van Wert County, (the City), as of and for the year ended December 31, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Insurance claims reported in the self-insurance fund (an Internal Service Fund) are processed by a service organization that is independent of the City. The service organization did not provide us with evidence regarding the design or proper operation of its internal controls. We were unable to perform procedures to satisfy ourselves as to the proper processing of health insurance claims. Those claims represent 56 percent of the disbursements for the Internal Service Fund type.

Ohio Administrative Code Section 117-2-03(B) requires the City to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State, for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine the evidence regarding insurance claims, the financial statements referred to above present fairly, in all material respects, the cash, investments, and combined cash balances of the City of Van Wert, Van Wert County, as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2003 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 15, 2003

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Project	
Receipts:					
Taxes	\$3,448,444	\$296,570		\$2,110,189	\$5,855,203
Charges For Services	118,631	935		490	120,056
Fines, Forfeitures, Licenses	328,599	60,737			389,336
Revolving Loan Repayments		61,909			61,909
Intergovernmental Receipts	615,999	410,388			1,026,387
Special Assessments			26,211		26,211
All Other Receipts	207,283	88,878	17,834	36,194	350,189
Total Receipts	4,718,956	919,417	44,045	2,146,873	7,829,291
Disbursements:					
Security of Persons & Property	3,066,691	132,274			3,198,965
Community Environment	28,554	305,995			334,549
Transportation		483,285		276,121	759,406
General Government	863,444	18,617			882,061
Leisure Time Activities	282,805			9,419	292,224
Health Services	98,000				98,000
Capital Outlay				1,226,538	1,226,538
Debt Service	40,040		101,567		141,607
Total Disbursements	4,379,534	940,171	101,567	1,512,078	6,933,350
Total Receipts Over (Under) Disbursements	339,422	(20,754)	(57,522)	634,795	895,941
Other Financing Sources (Uses)					
Operating Transfers-In	34,585		14,000		48,585
Operating Transfers-Out	(14,000)	(34,585)			(48,585)
Sale of Fixed Assets	20,364				20,364
Total Other Financing Sources (Uses)	40,949	(34,585)	14,000		20,364
Total Receipts And Other Sources Over (Under) Disbursement And Other Uses	380,371	(55,339)	(43,522)	634,795	916,305
Fund Cash Balance January 1	437,174	1,022,122	62,555	1,670,981	3,192,832
Fund Cash Balance December 31	\$817,545	\$966,783	\$19,033	\$2,305,776	\$4,109,137

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

CITY OF VAN WERT
VAN WERT COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non- Expendable Trust</u>	<u>Agency</u>	
Receipts:					
Charges For Services	\$4,091,498	\$866,728			\$4,958,226
Other Operating Receipts	48,441	86,439	554		135,434
Total Receipts	4,139,939	953,167	554		5,093,660
Disbursements:					
Personal Services	1,245,417	81,370			1,326,787
Contract Services		184,391			184,391
Claims		568,784			568,784
Supplies And Materials	822,324	75,667			897,991
Capital Outlay	273,260				273,260
Total Disbursements	2,341,001	910,212			3,251,213
Total Receipts Over (Under) Disbursements	1,798,938	42,955	554		1,842,447
Non-Operating Receipts (Disbursements)					
Transfers-in	55,000				55,000
Transfers- out	(55,000)				(55,000)
Debt Service	(1,977,751)				(1,977,751)
Other Non-Operating Disbursements	(690)			(1,286,650)	(1,287,340)
Other Non-Operating Receipts				1,293,134	1,293,134
Taxes				29,235	29,235
Intergovernmental				3,550	3,550
Total Non-Operating Receipts (Disbursements)	(1,978,441)			39,269	(1,939,172)
Net Income	(179,503)	42,955	554	39,269	(96,725)
Fund Cash Balance January 1	2,633,791	99,000	29,111	92,986	2,854,888
Fund Cash Balance December 31	\$2,454,288	\$141,955	\$29,665	\$132,255	\$2,758,163

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	\$4,718,113	\$4,773,905	\$55,792
Special Revenue Funds	928,831	919,417	(9,414)
Debt Service Funds	68,400	58,045	(10,355)
Capital Project Funds	2,054,500	2,146,873	92,373
Proprietary:			
Enterprise Funds	3,438,000	4,194,939	756,939
Internal Service Funds	953,000	953,167	167
Fiduciary:			
Trust Funds	1,000	554	(446)
Total (Memorandum Only)	<u>\$12,161,844</u>	<u>\$13,046,900</u>	<u>\$885,056</u>

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

CITY OF VAN WERT
VAN WERT COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2002**

Fund Types/Fund	Prior Year Carryover Appropriations	2002 Appropriations	Total	Actual 2002 Disbursements	Encumbrances Outstanding At 12-31-02	Total	Variance Favorable/ (Unfavorable)
Governmental:							
General Fund	\$101,565	\$4,958,736	\$5,060,301	\$4,393,534	\$60,859	\$4,454,393	\$605,908
Special Revenue Funds	3,484	1,431,340	1,434,824	974,756	32,819	1,007,575	427,249
Debt Service Funds		101,567	101,567	101,567		101,567	
Capital Project Funds	73,761	1,754,709	1,828,470	1,512,078	37,567	1,549,645	278,825
Proprietary:							
Enterprise Funds	146,863	5,181,833	5,328,696	4,374,442	110,687	4,485,129	843,567
Internal Service Funds		1,085,656	1,085,656	910,212	11,788	922,000	163,656
Fiduciary:							
Trust Funds							
Total (Memorandum Only)	<u>\$325,673</u>	<u>\$14,513,841</u>	<u>\$14,839,514</u>	<u>\$12,266,589</u>	<u>\$253,720</u>	<u>\$12,520,309</u>	<u>\$2,319,205</u>

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. Reporting Entity

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

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

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

B. Basis Of Accounting

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

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

C. Fund Accounting

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

1. Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

2. Proprietary Funds

Enterprise Funds

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

Internal Service Fund

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

3. Fiduciary Funds

Trust and Agency Funds

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Budgetary Process

1. Budget

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

2. Estimated Resources

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

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

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

3. Appropriations

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

4. Encumbrances

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

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

B. Property, Plant And Equipment

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

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

During 2002, investments were limited to STAROhio, repurchase agreements, and certificates of deposit.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 2002. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on December 31, 2002.

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

D. Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation and sick pay are not accrued under the cash basis of accounting described in Note 1. At December 31, 2002, and in accordance with the City's sick leave policy, management estimates that \$1,193,572 in sick leave and \$216,104 in vacation leave has been accumulated by the employees of the City. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of December 31, 2002.

E. Total Columns On Financial Statements

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

3. COMPLIANCE

Ohio Revised Code Section 5705.41(D) requires the City Auditor to certify availability of funds prior to a commitment being paid. The City Auditor did not certify the availability of funds for 11% of the expenditures tested.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits: At year end, the carrying amount of the City's deposits was \$5,329,696 and the bank balance was \$5,492,886. Of the bank balance, \$308,000 was covered by federal deposit insurance and \$5,184,886 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the Federal Deposit Insurance Corporation.

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

	Risk Category	Carrying Value	Fair Value
	1		
Pension Bonds	216,000	216,000	216,000
STAROhio		1,321,604	1,321,604
Total	216,000	\$1,537,604	\$1,537,604

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002 consisted of the following:

General Obligation Bonds	
Principal Outstanding	\$1,045,000
Interest Rates	4.80 - 9.5%
Ohio Water Development Authority Loans	
Principal Outstanding	\$7,361,017
Interest Rates	3.81 - 4.65%
Taxable Industrial Revenue Bond	
Principal Outstanding	\$278,158
Interest Rate	7.25%
Police and Fire Pension	
Principal Outstanding	\$216,000
Interest Rate	4.00%

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

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

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

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. DEBT OBLIGATIONS (Continued)

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

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

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

Year ending December 31	General Obligation Bonds	OWDA Loans	Industrial Revenue Bonds	Police & Fire Pension Bonds
2002	\$239,092	\$172,208	\$69,459	\$41,600
2003	150,878	172,208	69,828	43,160
2004	149,862	172,208	62,112	44,720
2005	148,438	172,208	58,439	46,800
2006	146,465	172,208	53,766	48,360
Subsequent	<u>578,143</u>	<u>2,108,929</u>	<u>25,500</u>	<u>0</u>
Total	<u>\$1,412,878</u>	<u>\$2,969,969</u>	<u>\$339,104</u>	<u>\$224,640</u>

6. INCOME TAX

The City levies an income tax of 1.72 percent on all income earned within the City as well as incomes of residents earned outside the City. In the latter case the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Income tax is allocated by ordinance and was credited to the following funds in 2002: General fund \$2,984,910, Street Construction fund \$1,479,434, Police and Fire Safety fund \$650,946.

7. PROPERTY TAX

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

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. PROPERTY TAX (Continued)

The full tax rate applied to real property, for the calendar year ended December 31, 2002, was \$3.2 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$3.2 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$3.2 per \$1,000 of assessed valuation for all other real property. Real property owners tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2002, was \$3.2 per \$1,000 of assessed valuation.

Real Property - 2001 Valuation	
Residential/Agricultural	\$86,690,900
Commercial/Industrial	38,398,020
Public Utilities	20,130
Tangible Personal Property - 2002 Valuation	
General	34,140,170
Public Utilities	<u>5,110,700</u>
Total Valuation	<u>\$164,359,920</u>

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

8. RISK MANAGEMENT

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2002, the City contracted with Purmort Brothers Insurance Agency for general liability, property, law enforcement and public officials liability insurance. Coverages provided by the insurance are as follows:

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

The City pays all elected officials' bonds per statute.

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

8. RISK MANAGEMENT (Continued)

B. Workers' Compensation

Workers' compensation benefits are provided through the State Bureau of Worker's Compensation. For 2002, the City did not participate in a group rating program because the City of Van Wert was penalty rated due to a 1997 claim. Since then, the City Administration has made strides to manage loss work claims to become eligible for a group-rating program. In an effort to reduce the cost of Workers' Compensation premiums, the City began participating in the BWC 10-step Premium Discount Program.

C. Employee Medical Benefits

The City established a medical self-insurance fund (an Internal Service Fund) to account for and finance its uninsured risks of loss. Under this program, the medical self-insurance fund provides coverage for up to a maximum of \$35,000 for each individual. The City purchased commercial insurance for claims in excess of coverage provided by the fund. The City has contracted with North Shore Administrators of Sandusky, Ohio to be the administrator of this Program. Settled claims have not exceeded the fund's coverage or stop-loss insurance coverage in 2002. The City does not anticipate being responsible for any costs that exceed the stop-loss insurance coverage.

All funds of the City participate in the program and make payments to the medical self-insurance fund based on a set rate per employee for single or family coverage. During 2002 a total of \$184,391 was paid for administrative fees and premiums and \$568,784 was paid for claims and benefits.

9. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Contributions are authorized by State statute. The contribution rates are determined actuarially. The City's required contributions to PERS for the years ended December 31, 2002, 2001, and 2000 were \$279,062, \$272,515, and \$205,862, respectively. The full amount has been contributed for 2001 and 2000. 92.68% has been contributed for 2002.

B. Ohio Police and Fire Pension Fund

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.5 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$176,150 and \$199,833 for the year ended December 31, 2002, \$183,449 and 197,797 for the year ended December 31, 2001, and \$186,136 and \$191,578 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 77.12 percent and 76.86 percent, respectively, have been contributed for 2002.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State retirement system have an option to choose Social Security or the appropriate state system. As of December 31, 2002, six reserve firemen and three council members and one acting judge have elected Social Security. The City's liability is 6.2 percent of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System (PERS)

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55 percent of covered payroll; 5.00 percent was the portion that was used to fund health care for the year 2002. For 2001, the contribution rate was 13.55 percent of covered payroll; 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PER's latest actuarial review performed as of December 31, 2001, included a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants was 402,041. The City's actual contributions in 2002 which were used to fund post employment benefits were \$95,553. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

For 2001, PERS elected to return to an actuarially per-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

B. Police and Firemen's Disability and Pension Fund

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

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

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

The City's actual contributions for 2002 that were used to fund postemployment benefits were \$84,922 for police and \$81,249 for fire. The OP&F's total health care expenses for the year ended December 31, 2000, (the latest information available) were \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.

11. CONTRACTUAL COMMITMENTS

The City had entered into the following contractual commitment as of December 31, 2002:

NuWave Technology	Municipal Building Phone System	\$21,050
-------------------	---------------------------------	----------

**CITY OF VAN WERT
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

12. CONTINGENT LIABILITIES

Grants

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

13. SUBSEQUENT EVENTS

On April 1, 2003, the City issued various purpose refunding bonds, in the amount of \$865,000, to pay costs of refunding all of the City's outstanding various purpose bonds, dated as of June 1, 1991, which were issued to pay costs of improving and providing equipment for the municipal wastewater system and costs allocated to the City in connection with the channelization of Town Creek. The bonds have an interest rate of 1.6 to 3.65 percent and final maturity on December 1, 2011.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

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

To the City Council:

We have audited the financial statements of the City of Van Wert, Van Wert County, (the City), as of and for the year ended December 31, 2002, and have issued our report thereon dated April 15, 2003, which was qualified for lack of evidence regarding the processing of claims and wherein we noted that the City has continued to follow the basis of accounting previously prescribed by the Auditor of State. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-20281-001 through 2002-20281-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated April 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-20281-006.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we considered the reportable condition described above as item 2002-20281-006 to be a material weakness. We also noted others matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated April 15, 2003.

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



Betty Montgomery
Auditor of State

April 15, 2003

CITY OF VAN WERT
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002

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

FINDING NUMBER 2002-20281-001

Finding for Recovery

Sections 43.3, 43.4 and 43.6 of Agreement #98-MED-01-0064 and Sections 42.3, 42.4 01-MED-01-0040 between the City of Van Wert and American Federation of State, County and Municipal Employees Local #3767, state that the employer will reimburse the Treatment Plant Trainee for mileage expense incurred as a result of taking the examination for certification as Treatment Plant Operator I. The training program, designed to provide the trainee with additional skills and knowledge necessary to promote to the higher level position of Treatment Plant Operator I, is a voluntary program not mandated or required for certification as Treatment Plant Operator I; therefore, the employer will reimburse the following expenses only if the employee successfully passes the required state examination for certification as Treatment Plant Operator I:

- a. Registration and fees for voluntary classroom training in treatment plant operation;
- b. Mileage expense to and from the voluntary training programs; and
- c. Registration and testing costs to take the required state examination for certification as a Class I Treatment Plant Operator.

The above listed expenses for voluntary participation in training programs will be reimbursed only if the employee successfully passes the applicable state examination for certification and only once for each employee regardless of the number of times the employee elects to take the training course or the state examination.

Per review of the invoices submitted with check #54880 paid to Jerry Worthington, he was reimbursed for two training classes and the mileage to attend these classes, along with two registrations to take the state examination which exceeded the agreement which set the limit at one.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jerry Worthington, Water Treatment Plant Trainee, in the amount of \$823 and in favor of the Water Fund.

FINDING NUMBER 2002-20281-002

Ohio Rev. Code Section 5735.28 states that whenever a municipal corporation is on the line of the state highway as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to Sections 4501.04, 5735.23 and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street traffic signs and markers on such highways.

The 2002 Pavement Marking Program, encompassing all City streets, highway and non-highway, was paid entirely from the State Highway Improvement Fund.

An adjustment has been made against the Street Maintenance and Repair Fund in the amount of \$13,365 in favor of the State Highway Improvement Fund. The accompanying financial statements reflect the above noted adjustment and the adjustment have been posted to the accounting records of the City.

FINDING NUMBER 2002-20281-003

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

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

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

FINDING NUMBER 2002-20281-004

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

The City entered into a water pollution control loan fund agreement for the wastewater treatment plant improvements project where the requests submitted for disbursements were made by the Ohio Water Development Authority directly to the contractor. Project pay requests totaling five thousand, eight hundred and eighty-eight dollars (\$5,888) were approved and issued during 2002, but not recorded on their financial statements for 2002.

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

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

FINDING NUMBER 2002-20281-005

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

FINDING NUMBER 2002-20281-005
(Continued)

For 11% of the expenditures tested, the City honored expenditures for which there was no prior certification from the fiscal officer (City Auditor). Council did not exercise the exception outlined above for any of these expenditures.

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

FINDING NUMBER 2002-20281-006

INSURANCE CLAIMS PROCESSING - SAS 70

The City contracts with a third party to administer health insurance claims. The third party administrator of the health benefit plan does not have a SAS No. 70 review of its internal control surrounding the handling and payment of claims, nor does the City have an internal control structure in place regarding review of the processing of insurance claims by the third party administrator.

Internal controls should be in place to provide reasonable assurance that payment of insurance claims are made only after proper management approval. Because of the failure to require approval from the proper level of management, and without a SAS No. 70 review of the third party administrator's internal control procedures, claims may be reimbursed without the approval or knowledge of management.

Procedures should be implemented requiring documentation of the accounting procedures performed to ensure health insurance charges are being sufficiently monitored. Also, the third party administrator should provide the City with a SAS No. 70 review of its internal control surrounding the handling and payment of claims.

**CITY OF VAN WERT
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-20281-001	Ohio Rev. Code 117.28 - Finding for Recovery of Public Money Collected but Not Accounted For	Yes	
2001-20281-002	Ordinance #6955-99 and Ohio Rev. Code 117.28 – Public Money Illegally Expended	No	Referred to Prosecuting Attorney
2001-20281-003	Ohio Ethics Commission Advisory Opinion 91-008 – In Term Increase in Compensation	No	Referred to Prosecuting Attorney
2001-20281-004	Ohio Rev. Code 5705.10 – Sources and Uses of Funds	Yes	
2001-20281-005	Ohio Administrative Code 117-2-03 (B) 1 – Preparing of Financial Statements in Accordance with General Accepted Accounting Principles.	No	Not corrected, see Finding Number 2001-20281-003
2001-20281-006	Ohio Rev. Code 733.11 - Maintenance of Accurate Financial Records	No	Not corrected, see Finding Number 2001-20281-004
2001-20281-007	Ohio Rev. Code 5705.36 – Certification of Funds to the County Auditor	Yes	
2001-20281-008	Ohio Rev. Code 5705.41(D)- Prior Certification of Funds	No	Not corrected, see Finding Number 2001-20281-005
2001-20281-009	Audit Committee	Yes	

**CITY OF VAN WERT
VAN WERT COUNTY**

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Completion Date	Responsible Contact
2002-20281-001	No current action being taken.		Jay Fleming
2002-20281-002	Adjustment made	4-17-03	Jay Fleming
2002-20281-003	No current action being taken		
2002-21081-004	Safety Service director is to report all future disbursements paid directly to the contractor to the city Auditor to be entered into books.	4-28-03	Jay Fleming
2002-20281-005	No current action being taken		
2002-20281-006	Audit procedures of third party billing and plan administrators are being reviewed. If not acceptable to State Auditors, an acceptable audit plan will be developed.	10-01-03	Jay Fleming



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CITY OF VAN WERT

VAN WERT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 22, 2003**