



**Auditor of State
Betty Montgomery**

VILLAGE OF OHIO CITY
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 and Similar Fiduciary Funds - For the Year Ended December 31, 2002	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2001	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2001	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings.....	17

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ohio City
Van Wert County
103 S. Main Street
P.O. Box 246
Ohio City, Ohio 45874

To the Village Council:

We have audited the accompanying financial statements of the Village of Ohio City, Van Wert County (the Village), as of and for the years ended December 31, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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 14, 2003

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$58,402	\$22,866	\$59,294	\$140,562
Intergovernmental Receipts	50,601	31,806		82,407
Charges for Services	31,860	20,847		52,707
Fines, Licenses, and Permits	105			105
Earnings on Investments	10,984	861		11,845
Miscellaneous	33,051			33,051
Total Cash Receipts	<u>185,003</u>	<u>76,380</u>	<u>59,294</u>	<u>320,677</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	46,607	24,288		70,895
Public Health Services	4,319			4,319
Leisure Time Activities	8,712			8,712
Community Environment	181			181
Basic Utility Services	12,141			12,141
Transportation		35,382		35,382
General Government	72,360		12,022	84,382
Debt Service	5,459			5,459
Capital Outlay	12,956	7,851		20,807
Total Cash Disbursements	<u>162,735</u>	<u>67,521</u>	<u>12,022</u>	<u>242,278</u>
Total Receipts Over Disbursements	<u>22,268</u>	<u>8,859</u>	<u>47,272</u>	<u>78,399</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	2,795	10,000		12,795
Transfers-Out	(25,345)		(12,795)	(38,140)
Total Other Financing Receipts/(Disbursements)	<u>(22,550)</u>	<u>10,000</u>	<u>(12,795)</u>	<u>(25,345)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(282)	18,859	34,477	53,054
Fund Cash Balances, January 1	36,195	61,049	28,685	125,929
Fund Cash Balances, December 31	<u>\$35,913</u>	<u>\$79,908</u>	<u>\$63,162</u>	<u>\$178,983</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$544,594
Fines, Licenses and Permits	5,916
Miscellaneous	4,671
	555,181
Total Operating Cash Receipts	555,181
Operating Cash Disbursements:	
Personal Services	122,909
Travel Transportation	1,800
Contractual Services	286,420
Supplies and Materials	69,337
Capital Outlay	524,758
	1,005,224
Total Operating Cash Disbursements	1,005,224
Operating (Loss)	(450,043)
Non-Operating Cash Receipts/(Disbursements):	
Other Debt Proceeds	238,671
Debt Service	(13,473)
Other Financing Uses	(7,365)
	217,833
Total Non-Operating Cash Receipts/(Disbursements)	217,833
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(232,210)
Transfers-In	45,345
Transfers-Out	(20,000)
	(206,865)
Net Receipts (Under) Disbursements	(206,865)
Fund Cash Balances, January 1	537,968
Fund Cash Balances, December 31	\$331,103

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$55,191	\$25,811	\$85,749	\$166,751
Intergovernmental Receipts	58,546	32,439		90,985
Charges for Services	18,746	12,178		30,924
Fines, Licenses, and Permits	260			260
Earnings on Investments	24,676			24,676
Miscellaneous	21,978			21,978
Total Cash Receipts	<u>179,397</u>	<u>70,428</u>	<u>85,749</u>	<u>335,574</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	45,818	23,937		69,755
Public Health Services	3,484			3,484
Leisure Time Activities	7,225			7,225
Community Environment	113			113
Transportation		36,911		36,911
General Government	76,243	827	16,695	93,765
Debt Service	5,637			5,637
Capital Outlay	6,881	5,464	26,061	38,406
Total Cash Disbursements	<u>145,401</u>	<u>67,139</u>	<u>42,756</u>	<u>255,296</u>
Total Receipts Over Disbursements	<u>33,996</u>	<u>3,289</u>	<u>42,993</u>	<u>80,278</u>
Other Financing Receipts and (Disbursements):				
Sale of Fixed Assets	280			280
Transfers-In	1,406	8,850		10,256
Transfers-Out	(18,612)		(85,256)	(103,868)
Total Other Financing Receipts/(Disbursements)	<u>(16,926)</u>	<u>8,850</u>	<u>(85,256)</u>	<u>(93,332)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	17,070	12,139	(42,263)	(13,054)
Fund Cash Balances, January 1	<u>19,125</u>	<u>48,910</u>	<u>70,948</u>	<u>138,983</u>
Fund Cash Balances, December 31	<u>\$36,195</u>	<u>\$61,049</u>	<u>\$28,685</u>	<u>\$125,929</u>

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$610,687
Operating Cash Disbursements:	
Personal Services	133,496
Travel Transportation	1,768
Contractual Services	393,171
Supplies and Materials	60,258
Capital Outlay	810,162
Total Operating Cash Disbursements	1,398,855
Operating (Loss)	(788,168)
Non-Operating Cash Receipts/(Disbursements):	
Intergovernmental Revenue	214,753
Other Debt Proceeds	345,134
Debt Service	(12,992)
Other Financing Sources	14,328
Other Financing Uses	(3,940)
Total Non-Operating Cash Receipts/(Disbursements)	557,283
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(230,885)
Transfers-In	193,612
Transfers-Out	(100,000)
Net Receipts (Under) Disbursements	(137,273)
Fund Cash Balances, January 1	675,241
Fund Cash Balances, December 31	\$537,968

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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.

Repurchase agreements are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Fire Levy Fund -This fund receives tax levy monies to be used for fire protection.

VILLAGE OF OHIO CITY
VAN WERT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

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

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

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

Sewer Facilities Construction Fund - This fund receives proceeds from charges for services, income tax transfers and grants and loans offered by the Ohio Public Works Commission and the Ohio Water Development Agency. The proceeds are being used to construct new Sewer Facilities.

Water Facilities Construction Fund - This fund receives proceeds from grants and loans offered by the Ohio Public Works Commission and the Ohio Water Development Agency and transfers of income tax receipts. The proceeds are being used to construct new Water Facilities.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Local Income Tax Fund - This expendable trust fund receives local income tax from residents to be used by the Village in accordance with local income tax ordinance 2-3-86.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting for fiscal year 2001. For fiscal year 2002, encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law for fiscal year 2002.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$510,086	\$16,463
Total deposits	510,086	16,463
Repurchase agreement	0	647,434
Total investments	0	647,434
Total deposits and investments	\$510,086	\$663,897

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

Investments: The Village maintained a Repurchase Agreement with their financial institution for all of fiscal year 2001 and discontinued the agreement during July of 2002. The agreement allowed the financial institution to invest excess funds in a repurchase agreement account. The financial institution maintained records identifying the Village as owner of these securities.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$255,985	\$187,798	(\$68,187)
Special Revenue	121,025	86,380	(34,645)
Expendable Trust	74,999	59,294	(15,705)
Enterprise	982,887	839,197	(143,690)
Total	\$1,434,896	\$1,172,669	(\$262,227)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,405	\$188,080	\$48,325
Special Revenue	117,275	67,521	49,754
Expendable Trust	75,000	24,817	50,183
Enterprise	1,337,160	1,046,062	291,098
Total	\$1,765,840	\$1,326,480	\$439,360

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,729	\$181,083	(\$6,646)
Special Revenue	79,835	79,278	(557)
Expendable Trust	160,000	85,749	(74,251)
Enterprise	1,557,259	1,378,514	(178,745)
Total	\$1,984,823	\$1,724,624	(\$260,199)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,694	\$164,013	\$42,681
Special Revenue	81,800	67,139	14,661
Expendable Trust	160,000	128,012	31,988
Enterprise	1,694,066	1,515,787	178,279
Total	\$2,142,560	\$1,874,951	\$267,609

Contrary to Ohio Revised Code Section 5705.41 (D), expenditures were initiated without obtaining the prior certification of the Clerk.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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

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

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan #1	\$25,000	0.00%
Ohio Public Works Commission Loan #2	212,251	0.00%
Ohio Public Works Commission Loan #3	174,098	2.00%
Ohio Water Development Authority Loan #1	25,000	0.00%
Ohio Water Development Authority Loan #2	<u>150,058</u>	5.65%
Total	<u><u>\$586,407</u></u>	

The Ohio Public Works Commission (OPWC) loans #1 and #3 and the Ohio Water Development Authority (OWDA) loan #2 relate to a sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The project has been split into phases and the OPWC and OWDA have approved loans to apply to specific phases of the project. OPWC loan #1 will be repaid in semiannual installments of \$1,000, with 0% interest, over 20 years. OPWC Loan #3 will be repaid in semiannual installments of \$5,302, including interest, over 20 years. The OWDA loan will be repaid in semiannual installments of \$5,255, including interest, over 30 years.

The Ohio Water Development Authority (OWDA) loan #1 relates to the planning phase of the water plant expansion project. The Ohio Public Works Commission (OPWC) loan #2 relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OPWC loan will be repaid in semiannual installments of \$5,737, with 0% interest, over 20 years. The OWDA loan #1 will be repaid in annual installments of \$2,500 over 10 years.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending	OPWC LOAN #1	OPWC LOAN #2	OPWC LOAN #3	OWDA LOAN #1	OWDA LOAN #2
December 31:					
2003	\$2,000	\$11,474	\$1,751	\$2,500	\$10,511
2004	2,000	11,474	10,604	\$2,500	10,510
2005	2,000	11,474	10,604	\$2,500	10,510
2006	2,000	11,474	10,604	\$2,500	10,510
2007	2,000	11,474	10,604	\$2,500	10,510
2008-2012	10,000	57,370	53,020	12,500	52,550
2013-2017	5,000	57,370	53,020	0	52,550
2018-2022	0	40,141	53,020	0	52,550
2023-2027	0	0	10,604	0	52,550
2028-2032	0	0	0	0	47,295
Total	\$25,000	\$212,251	\$213,831	\$25,000	\$310,046

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Village maintains coverage as listed above through private carriers with limits of two million on liability, one million for personal injury, fifty thousand for fire damages and five thousand for medical expenses for any one person.

The Village also provides health insurance and dental coverage to full time employees through a private carrier.



**Auditor of State
Betty Montgomery**

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

Village of Ohio City
Van Wert County
103 S. Main Street
P.O. Box 246
Ohio City, Ohio 45874

To the Village Council:

We have audited the accompanying financial statements of the Village of Ohio City, Van Wert County (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 14, 2003. 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 Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-30281-001 to 2002-30281-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 14, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 14, 2003.

Village of Ohio City
Van Wert County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management and Village Council, 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 14, 2003

VILLAGE OF OHIO CITY
VAN WERT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-30281-001

Finding for Recovery

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. **Ohio Revised Code Section 102.03 (D) and (E) and Ethics Opinion 93-006**, prohibit the members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council and prohibits a village council member from accepting, for the duration of his present term, an increase in compensation enacted by council while he was a member thereof, regardless of whether he votes for or against the increase, or whether he abstains from participating in the issue.

Council passed Resolution 001-99 on January 5, 1999 to set the salary of the Village Council members at \$40 per meeting. Prior to the passage of this resolution, Resolution 015-91, passed December 3, 1991, set the salary of the Village Council members at \$30 per meeting attended. Dale Boroff, Council member, was elected for the term 1/1/98 to 12/31/01 and is subject to the \$30 per meeting rate rather than the \$40 per meeting authorized by Resolution 001-99 as this was an in term increase. During 2001, the council member was paid at the \$40 rate per meeting resulting in an overpayment of \$270.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Dale Boroff, Council member, in the amount of \$270, in favor of the Village General fund. This matter is being referred to the Ohio Ethics Commission.

FINDING NUMBER 2002-30281-002

Finding for Recovery

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. **Ohio Revised Code Section 102.03 (D) and (E) and Ethics Opinion 93-006**, prohibit the members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council and prohibits a village council member from accepting, for the duration of his present term, an increase in compensation enacted by council while he was a member thereof, regardless of whether he votes for or against the increase, or whether he abstains from participating in the issue.

Council passed Resolution 001-99 on January 5, 1999 to set the salary of the Village Council members at \$40 per meeting. Prior to the passage of this resolution, Resolution 015-91, passed December 3, 1991, set the salary of the Village Council members at \$30 per meeting attended. Carol Miller, Council member, was elected for the term 1/1/98 to 12/31/01 and is subject to the \$30 per meeting rate rather than the \$40 per meeting authorized by Resolution 001-99 as this was an in term increase. During 2001, the council member was paid at the \$40 rate per meeting resulting in an overpayment of \$190.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Carol Miller, Council member, in the amount of \$190, in favor of the Village General fund. This matter is being referred to the Ohio Ethics Commission.

FINDING NUMBER 2002-30281-003

Finding For Recovery

Ohio Rev. Code Section 731.13 states the legislative authority of a village shall fix the compensation of all officers, clerks, and employees of the village. The legislative authority shall, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. **Ohio Revised Code Section 102.03 (D) and (E) and Ethics Opinion 93-006**, prohibit the members of village council from enacting an ordinance granting an in-term increase in compensation for the current members of council and prohibits a village council member from accepting, for the duration of his present term, an increase in compensation enacted by council while he was a member thereof, regardless of whether he votes for or against the increase, or whether he abstains from participating in the issue.

Council passed Resolution 001-99 on January 5, 1999 to set the salary of the Village Council members at \$40 per meeting. Prior to the passage of this resolution, Resolution 015-91, passed December 3, 1991, set the salary of the Village Council members at \$30 per meeting attended. Greg Waterman, Council member, was elected for the term 1/1/98 to 12/31/01 and is subject to the \$30 per meeting rate rather than the \$40 per meeting authorized by Resolution 001-99 as this was an in term increase. During 2001, the council member was paid at the \$40 rate per meeting resulting in an overpayment of \$230.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies being illegally expended is hereby issued against Greg Waterman, Council member, in the amount of \$230, in favor of the Village General fund. This matter is being referred to the Ohio Ethics Commission.

FINDING NUMBER 2002-30281-004

Noncompliance Citation

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.

Thirty-seven percent of the expenditures tested (51% of dollar amounts) for fiscal year 2002 and one hundred percent of the expenditures tested for fiscal year 2001 were initiated without obtaining the prior certification of the Clerk. Council did not exercise the exception outlined above for any of these expenditures.

Village officials and management should review Section 5705.41(D) and implement procedures for certification of funds.

**VILLAGE OF OHIO CITY
VAN WERT COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-30281-001	Finding to recover public monies collected but not accounted for.	Yes. Full amount of monies recovered.	
2000-30281-002	Finding to recover public monies collected but not accounted for.	Yes. Full amount of monies recovered.	
2000-30281-003	ORC Section 5705.41 (D): No prior certification of funds	No	Not corrected; see finding number 2002-30281-004
2000-30281-004	Appoint oversight committee to review utility revenues	Partially	Council is now aware of the risks of theft and is working on a procedure to review utility revenues. New Utilities Clerk appointed. Changed to management letter recommendation.
2000-30281-005	Maintain adequate documentation for utility transactions (garbage services).	Yes	Village no longer collects and distributes (acts as agent) fees for garbage services.



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VILLAGE OF OHIO CITY

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 20, 2003**