



**Auditor of State  
Betty Montgomery**



VILLAGE OF NEY  
DEFIANCE COUNTY

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**Auditor of State  
Betty Montgomery**

Village of Ney  
Defiance County  
230 East Main Street  
P.O. Box 237  
Ney, Ohio 43549-0237

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

July 20, 2005

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Ney  
Defiance County  
230 East Main Street  
P.O. Box 237  
Ney, Ohio 43549-0237

To the Village Council:

We have audited the accompanying financial statements of the Village of Ney, Defiance County, (the Village) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Ney, Defiance County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2005, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

July 20, 2005

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$9,524	\$6,549			\$16,073
Special Assessments		8,672			8,672
Intergovernmental Receipts	62,556	15,488	\$3,661		81,705
Charges for Services			26,985		26,985
Fines, Licenses, and Permits	15				15
Earnings on Investments	3,481			\$382	3,863
Miscellaneous	652				652
<b>Total Cash Receipts</b>	<u>76,228</u>	<u>30,709</u>	<u>30,646</u>	<u>382</u>	<u>137,965</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	6,390	7,182			13,572
Public Health Services	3,415				3,415
Leisure Time Activities	1,180				1,180
Basic Utility Services	10,581		77,014		87,595
Transportation	33,918	15,068			48,986
General Government	53,229	150			53,379
Capital Outlay			3,661		3,661
<b>Total Cash Disbursements</b>	<u>108,713</u>	<u>22,400</u>	<u>80,675</u>		<u>211,788</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>(32,485)</u>	<u>8,309</u>	<u>(50,029)</u>	<u>382</u>	<u>(73,823)</u>
<b>Other Financing Receipts:</b>					
Loan Proceeds			77,014		77,014
Other Financing Sources	59				59
<b>Total Other Financing Receipts</b>	<u>59</u>		<u>77,014</u>		<u>77,073</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(32,426)</u>	<u>8,309</u>	<u>26,985</u>	<u>382</u>	<u>3,250</u>
Fund Cash Balances, January 1	<u>155,372</u>	<u>48,412</u>		<u>33,390</u>	<u>237,174</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$122,946</u></u>	<u><u>\$56,721</u></u>	<u><u>\$26,985</u></u>	<u><u>\$33,772</u></u>	<u><u>\$240,424</u></u>
Reserves for Encumbrances, December 31	<u>\$6</u>				<u>\$6</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$53,674
<b>Operating Cash Disbursements:</b>	
Personal Services	8,000
Fringe Benefits	1,200
Contractual Services	11,715
Supplies and Materials	12,890
Other	70
Total Operating Cash Disbursements	33,875
Operating Income	19,799
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	8,175
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	24,790
Debt Service - Interest	10,455
Total Non-Operating Cash Disbursements	35,245
Excess of Receipts Under Disbursements	(7,271)
Fund Cash Balances, January 1	138,566
<b>Fund Cash Balances, December 31</b>	<b>\$131,295</b>
Reserve for Encumbrances, December 31	

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$8,197	\$6,806			\$15,003
Special Assessments		8,990			8,990
Intergovernmental Receipts	63,520	13,135	\$4,624		81,279
Fines, Licenses, and Permits	1,065				1,065
Earnings on Investments	3,960	11		\$517	4,488
Miscellaneous	13,291	1,600			14,891
<b>Total Cash Receipts</b>	<u>90,033</u>	<u>30,542</u>	<u>4,624</u>	<u>517</u>	<u>125,716</u>
<b>Cash Disbursements:</b>					
Current:					
Security of Persons and Property	9,015	11,609			20,624
Public Health Services	2,911				2,911
Leisure Time Activities	1,508				1,508
Basic Utility Services	3,868	15,224			19,092
Transportation	20,583	154			20,737
General Government	57,359				57,359
Debt Service:					
Principal Payments			3,920		3,920
Capital Outlay	18,245		4,624		22,869
<b>Total Cash Disbursements</b>	<u>113,489</u>	<u>26,987</u>	<u>8,544</u>		<u>149,020</u>
Total Cash Receipts Over/ (Under) Cash Disbursements	<u>(23,456)</u>	<u>3,555</u>	<u>(3,920)</u>	<u>517</u>	<u>(23,304)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In		10,000			10,000
Transfers-Out	(10,000)				(10,000)
Other Financing Sources	300				300
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(9,700)</u>	<u>10,000</u>			<u>300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(33,156)</u>	<u>13,555</u>	<u>(3,920)</u>	<u>517</u>	<u>(23,004)</u>
Fund Cash Balances, January 1	<u>188,528</u>	<u>34,857</u>	<u>3,920</u>	<u>32,873</u>	<u>260,178</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$155,372</b></u>	<u><b>\$48,412</b></u>	<u><b>\$0</b></u>	<u><b>\$33,390</b></u>	<u><b>\$237,174</b></u>
Reserves for Encumbrances, December 31	<u>\$6</u>				<u>\$6</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$55,603
<b>Operating Cash Disbursements:</b>	
Personal Services	7,060
Fringe Benefits	1,059
Contractual Services	16,211
Supplies and Materials	12,034
Other	275
Capital Outlay	69,309
Total Operating Cash Disbursements	105,948
Operating Loss	(50,345)
<b>Non-Operating Cash Receipts:</b>	
Interest	474
Proceeds from Loans	31,503
Miscellaneous Receipts	1,027
Total Non-Operating Cash Receipts	33,004
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	24,986
Debt Service - Interest	10,809
Total Non-Operating Cash Disbursements	35,795
Excess of Receipts Under Disbursements	(53,136)
Fund Cash Balances, January 1	191,702
<b>Fund Cash Balances, December 31</b>	<b>\$138,566</b>
Reserve for Encumbrances, December 31	

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ney, Defiance County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including water utilities and park operations (leisure time activities). The Village has a contract with the Defiance County Sheriff's department to provide police services. The Village contracts with Washington Township to receive fire protection 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds 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:

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

Permissive Motor Vehicle Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village.

Fire Levy Fund - This fund receives local tax revenue for the purpose of providing fire protection services.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Sewer System Capital Improvements Fund This fund receives proceeds of a monthly sewage rate charge assessed to water customer's monthly billings. The proceeds are being used for the repayment of the wastewater system loan.

**4. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs and expends monies for principal payments for the retirement of outstanding indebtedness.

Ohio Water Development Authority Water Tower Fund - This fund is to account for monies received and spent by the Village for construction of a water tower.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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 fund:

Park Trust Fund – This fund receives interest earnings from the investment of the principle amount which was donated to the park several years ago.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2004</u>	<u>2003</u>
Cash on Hand	\$50	\$50
Demand deposits	191,669	195,690
Certificates of deposit	180,000	180,000
Total deposits and cash on hand	<u>\$371,719</u>	<u>\$375,740</u>

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,837	\$76,287	(\$15,550)
Special Revenue	30,000	30,709	709
Capital Projects	127,000	107,660	(19,340)
Enterprise	61,200	61,849	649
Fiduciary	1,000	382	(618)
Total	<u>\$311,037</u>	<u>\$276,887</u>	<u>(\$34,150)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,006	\$108,719	\$140,287
Special Revenue	64,548	22,400	42,148
Capital Projects	127,000	80,675	46,325
Enterprise	133,947	69,120	64,827
Fiduciary	34,391	0	34,391
Total	<u>\$608,892</u>	<u>\$280,914</u>	<u>\$327,978</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,505	\$90,333	(\$1,172)
Special Revenue	29,400	40,542	11,142
Capital Projects	10,000	4,624	(5,376)
Enterprise	162,100	88,607	(73,493)
Fiduciary	1,000	517	(483)
Total	<u>\$294,005</u>	<u>\$224,623</u>	<u>(\$69,382)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$279,605	\$123,495	\$156,110
Special Revenue	56,950	26,987	29,963
Capital Projects	13,920	8,544	5,376
Enterprise	289,699	141,743	147,956
Fiduciary		0	0
Total	<u>\$640,174</u>	<u>\$300,769</u>	<u>\$339,405</u>

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Contrary to Ohio law, the actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current appropriations in the General, Permissive Motor Vehicle License Tax, Capital Projects, Sewer System Capital Improvement and Enterprise Deposit Funds during 2004, and in the Permissive Motor Vehicle License Tax, Capital Projects and Water Tower Capital Improvements Funds during 2003.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$126,000	5.00%
OWDA Water Tower Loan	241,360	5.65%
OWDA Sewer Design Loan	117,000	0.00%
Total	<u>\$484,360</u>	

The Mortgage Revenue Bonds debt relates to the construction of a municipal waterworks system in 1974. The original bonded debt principal amount was \$293,000. Bond principal and interest payments are due annually on January 1. Repayment of the bonds will occur over thirty-eight years from 1977 through 2014. The Village has agreed to set water utility rates sufficient to cover the debt service requirements. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2004 is \$59,985.

The Ohio Water Development Authority (OWDA) Water Tower Loan relates to the construction, maintenance, and operation of a water tower at the Central Local School. The original loan authorized was \$250,009. Loan principal and interest payments are due semi-annually on January 1 and July 1. Repayment of the loan will occur over thirty years from 2003 through 2033. The Central Local School District has agreed to reimburse the Village for the repayment of the loan.

The Ohio Water Development Authority (OWDA) Sewer Design Loan relates to the design of a sanitary sewer collection and treatment system in the Village. The loan amount from OWDA to the Village for this project was \$117,000. The Village will repay the loans in semiannual installments of

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

\$11,700, over 5 years. The Village approved a monthly charge to each water user in the Village beginning in January 1, 2004 as the dedicated source or repayment for this loan.

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>Mortgage Revenue Bonds</u>	<u>OWDA Water Tower Loan</u>	<u>OWDA Sewer Design Loan</u>
2005	\$18,300	\$17,396	
2006	17,700	17,396	\$23,400
2007	18,100	17,396	23,400
2008	17,450	17,396	23,400
2009	17,800	17,396	23,400
2010- 2014	70,000	86,975	23,400
2015- 2019		86,975	
2020- 2024		86,975	
2025- 2029		86,975	
2030- 2032		43,488	
Total	<u>\$159,350</u>	<u>\$478,368</u>	<u>\$117,000</u>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments (Members).

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5 percent portion the Plan retains. With policies effective September 1, 2003 and after, The Plan

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

pays the lesser of 5 percent or \$25,000 for casualty losses up to the coverage limit and the lesser of 5 percent or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002 (the latest information available):

	<u>2003</u>	<u>2002</u>
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$3,531,044</u>	<u>\$3,142,799</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. RELATED PARTY TRANSACTIONS**

Jerry Bergman, Clerk Treasurer, is part owner of Ney Oil Company located within the Village. In addition, Tom Vance, Council Member, is employed by this company. The Village acquired fuel and oil products from the company that amounted to \$4,341 and \$3,360 during 2004 and 2003, respectively.

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**Auditor of State  
Betty Montgomery**

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

Village of Ney  
Defiance County  
230 East Main Street  
P.O. Box 237  
Ney, Ohio 43549-0237

To the Village Council:

We have audited the financial statements of the Village of Ney (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 20, 2005 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated July 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Village's management dated July 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for 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

July 20, 2005

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

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

**FINDING NUMBER 2004-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.36 (A) (2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that fiscal officer's certification is reasonable, the commission shall certify an amended certificate reflecting the deficiency or excess.

Ohio Revised Code § 5705.36 (A) (4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Additionally, Ohio Revised Code § 5705.39, states in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom as certified by the budget commission or in case of appeal, by the board of tax appeals.

The actual amounts available for appropriations were less than the amounts estimated in the official certificate and the current level of appropriations in the following funds:

	Actual Resources	Estimated Resources	Total Appropriations
<b><u>2004</u></b>			
General Fund	\$231,653	\$247,203	\$249,000
Permissive Motor Vehicle License Tax Fund	-	3,000	3,000
Capital Projects Fund	3,661	10,000	10,000
Sewer System Capital Improvements Fund	103,999	117,000	117,000
Enterprise Deposit Fund	820	1,000	1,000
 <b><u>2003</u></b>			
Permissive Motor Vehicle License Tax Fund	\$0	\$2,000	\$2,000
Capital Projects Fund	4,624	10,000	10,000
Water Tower Capital Improvement Fund	97,802	166,299	166,299

The Clerk-Treasurer should have requested an amended certificate of estimated resources from the commission which would have reduced the estimated resources to the level of the actual resources available for appropriations. Appropriations in these funds should have also been reduced to the level of the actual resources available for appropriations.

We recommend that Clerk-Treasurer compare actual revenues with estimated revenues during the year and make changes when necessary.

VILLAGE OF NEY  
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	Ohio Revised Code § 5705.41(B) Expenditures in excess of appropriations	Yes	



**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

**VILLAGE OF NEY  
DEFIANCE 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  
AUGUST 16, 2005**