



Dave Yost • Auditor of State

VILLAGE OF NEY
DEFIANCE COUNTY

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Dave Yost • Auditor of State

Village of Ney
Defiance County
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 an 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 adverse 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 2, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ney
Defiance County
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, 2010 and 2009. 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(A) mandates 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The

Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Ney, Defiance County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 June 2, 2011, 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.

We conducted our audit to opine on the Village's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Dave Yost
Auditor of State

June 2, 2011

**VILLAGE OF NEY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$7,877	\$7,083		\$14,960
Intergovernmental	69,694	19,896	\$2,658,994	2,748,584
Special Assessments		4,170		4,170
Charges for Services			34,963	34,963
Fines, Licenses and Permits	30			30
Earnings on Investments	358	7		365
Miscellaneous	3,165			3,165
	81,124	31,156	2,693,957	2,806,237
Total Cash Receipts	81,124	31,156	2,693,957	2,806,237
Cash Disbursements:				
Current:				
Security of Persons and Property	7,970	8,896		16,866
Leisure Time Activities	1,033			1,033
Basic Utility Service	2,000			2,000
Transportation	11,926	26,570		38,496
General Government	46,766	200		46,966
Capital Outlay	23,730		2,572,555	2,596,285
	93,425	35,666	2,572,555	2,701,646
Total Cash Disbursements	93,425	35,666	2,572,555	2,701,646
Total Cash Receipts Over/(Under) Cash Disbursements	(12,301)	(4,510)	121,402	104,591
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds	111,447			111,447
Other Financing Sources	4,065			4,065
	115,512			115,512
Total Other Financing Receipts	115,512			115,512
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	103,211	(4,510)	121,402	220,103
Fund Cash Balances, January 1	15,624	80,529	46,338	142,491
Fund Cash Balances, December 31	\$118,835	\$76,019	\$167,740	\$362,594
Reserve for Encumbrances, December 31	\$360			\$360

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 PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
Operating Cash Receipts:			
Charges for Services	\$69,951		\$69,951
Operating Cash Disbursements:			
Personal Services	12,615		12,615
Employee Fringe Benefits	1,949		1,949
Contractual Services	10,600		10,600
Supplies and Materials	18,069	\$5,000	23,069
Other	225		225
Total Operating Cash Disbursements	43,458	5,000	48,458
Operating Income/(Loss)	26,493	(5,000)	21,493
Non-Operating Cash Receipts:			
Special Assessments	17,395		17,395
Earnings on Investments		25	25
Miscellaneous Receipts	10		10
Total Non-Operating Cash Receipts	17,405	25	17,430
Non-Operating Cash Disbursements:			
Redemption of Principal	18,898		18,898
Interest and Other Fiscal Charges	16,298		16,298
Total Non-Operating Cash Disbursements	35,196		35,196
Net Receipts Over/(Under) Cash Disbursements	8,702	(4,975)	3,727
Fund Cash Balances, January 1	181,410	29,039	210,449
Fund Cash Balances, December 31	\$190,112	\$24,064	\$214,176

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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$6,948	\$6,785		\$13,733
Intergovernmental	55,864	25,687	\$397,589	479,140
Special Assessments		6,245		6,245
Charges for Services			26,565	26,565
Earnings on Investments	863	56		919
Miscellaneous	1,000			1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	64,675	38,773	424,154	527,602
Cash Disbursements:				
Current:				
Security of Persons and Property	8,320	8,348		16,668
Leisure Time Activities	1,473			1,473
Basic Utility Service	1,826			1,826
Transportation	13,237	22,612		35,849
General Government	50,298	150		50,448
Debt Service:				
Redemption of Principal			78,647	78,647
Capital Outlay			449,745	449,745
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	75,154	31,110	528,392	634,656
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(10,479)	7,663	(104,238)	(107,054)
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Other Debt Proceeds			55,247	55,247
Other Financing Sources	3,710			3,710
Other Financing Uses	(4,069)			(4,069)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(359)		55,247	54,888
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(10,838)	7,663	(48,991)	(52,166)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	26,462	72,866	95,329	194,657
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$15,624</u>	<u>\$80,529</u>	<u>\$46,338</u>	<u>\$142,491</u>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$180</u>	<u>\$15,776</u>	<u>\$15,956</u>	<u>\$15,956</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 - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts:			
Charges for Services	\$55,199		\$55,199
Operating Cash Disbursements:			
Personal Services	8,997		8,997
Employee Fringe Benefits	1,390		1,390
Contractual Services	15,513		15,513
Supplies and Materials	6,623	\$20	6,643
Other	20		20
Total Operating Cash Disbursements	32,543	20	32,563
Operating Income/(Loss)	22,656	(20)	22,636
Non-Operating Cash Receipts:			
Special Assessments	17,395		17,395
Earnings on Investments		67	67
Total Non-Operating Cash Receipts	17,395	67	17,462
Non-Operating Cash Disbursements:			
Redemption of Principal	17,632		17,632
Interest and Other Fiscal Charges	17,213		17,213
Total Non-Operating Cash Disbursements	34,845		34,845
Net Cash Receipts Over Cash Disbursements	5,206	47	5,253
Fund Cash Balances, January 1	176,204	28,992	205,196
Fund Cash Balances, December 31	\$181,410	\$29,039	\$210,449

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

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 participates in the Ohio Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments which 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 Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) which are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

VILLAGE OF NEY
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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

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 grant revenues and proceeds of a monthly sewage rate charge assessed to water customers. The proceeds are being used for capital improvements and the repayment of the wastewater system loan.

4. Enterprise Funds

These funds account for operations which 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 Fund:

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

The Village's private purpose trust fund is for the benefit of the Ney Community Park which is owned by the Defiance Metropolitan Park District.

E. Budgetary Process

The Ohio Revised Code requires 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 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.

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2010 and 2009 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 Deposits

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

	<u>2010</u>	<u>2009</u>
Demand deposits	\$332,264	\$103,672
Other time deposits	244,456	249,218
Petty Cash	50	50
Total deposits	<u>\$576,770</u>	<u>\$352,940</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,860	\$196,636	\$9,776
Special Revenue	33,450	31,156	(2,294)
Capital Projects	3,500,000	2,693,957	(806,043)
Enterprise	75,000	87,356	12,356
Fiduciary	100	25	(75)
Total	<u>\$3,795,410</u>	<u>\$3,009,130</u>	<u>(\$786,280)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,595	\$93,785	\$106,810
Special Revenue	89,520	35,666	53,854
Capital Projects	3,546,338	2,572,555	973,783
Enterprise	194,120	78,654	115,466
Fiduciary	29,139	5,000	24,139
Total	<u>\$4,059,712</u>	<u>\$2,785,660</u>	<u>\$1,274,052</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,500	\$68,385	(\$14,115)
Special Revenue	37,100	38,773	1,673
Capital Projects	30,000	479,401	449,401
Enterprise	80,000	72,594	(7,406)
Fiduciary	1,000	67	(933)
Total	<u>\$230,600</u>	<u>\$659,220</u>	<u>\$428,620</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,659	\$79,403	\$31,256
Special Revenue	85,214	31,110	54,104
Capital Projects	522,917	544,168	(21,251)
Enterprise	194,370	67,388	126,982
Fiduciary	29,993	20	29,973
Total	<u>\$943,153</u>	<u>\$722,089</u>	<u>\$221,064</u>

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted 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 financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	\$62,000	5.00%
Ohio Water Development Authority Loan #3624	217,507	5.60%
Ohio Water Development Authority Loan #5272	172,768	
Total	<u><u>\$452,275</u></u>	

The Mortgage Revenue Bonds debt relates to a loan received from the United States Department of Agricultural Rural Development for 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 2013. 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, 2008 was \$59,985.

The Ohio Water Development Authority (OWDA) Loan #3624 relates to the construction, maintenance, and operation of a water tower at Central Local School District. The original loan authorized was \$250,009. Loan principal and interest payments are due semi-annually on January 1 and August 1. Repayment of the loan will occur over thirty years from 2003 through 2032. The Central Local School District has agreed to reimburse the Village for the repayment of the loan.

The Ohio Water Development Authority (OWDA) Loan #5272 relates to the construction of a sanitary sewer collection and treatment system in the Village. The original loan amount authorized from OWDA to the Village for this project was \$252,842. As of December 31, 2010, the Village had received loan proceeds of \$172,768. The Village will repay the loan in semiannual installments on

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

January 1 and August 1. The Village approved a monthly charge to each water user in the Village as the dedicated source or repayment for this loan. The project has not been completed to date and a final amortization schedule is unavailable.

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loan #3624
2011	\$17,100	\$17,395
2012	17,400	17,395
2013	35,500	17,396
2014		17,396
2015		17,396
2016-2020		86,976
2021-2025		86,976
2026-2030		86,976
2021-2032		34,788
Total	<u>\$70,000</u>	<u>\$382,694</u>

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. Risk Pool Membership

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members which include appointed and elected officials from member organizations.

**VILLAGE OF NEY
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Pool Membership (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium which offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village does not participate in this coverage.

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

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRM and OPHC:

	2009 OPRM	2009 OPHC	2009	2008
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	(4,852,485)	(1,253,617)	(6,106,102)	(5,286,781)
Members’ Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

8. Related Party Transactions

Jerry Bergman, Clerk-Treasurer, is part owner of Ney Oil Company (the Company) located within

VILLAGE OF NEY
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. Related Party Transactions (Continued)

the Village. In addition, Tom Vance, Mayor, is employed by the Company. The Village acquired fuel and oil products from the Company which amounted to \$7,124 and \$5,003 during 2010 and 2009 respectively.

VILLAGE OF NEY
DEFIANCE COUNTY

FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT <i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant (Water and Sanitary Sewer Competitive Grant Program)	C-W-08-301-1	14.228	<u>\$504,178</u>

The accompanying notes are an integral part of this schedule.

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURE SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditure Schedule (the Schedule) reports the Village of Ney's (the Village's) federal award program's disbursements. The schedule has been prepared on the cash basis of accounting.



Dave Yost • Auditor of State

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
P.O. Box 237
Ney, Ohio 43549-0237

To the Village Council:

We have audited the financial statements of the Village of Ney, Defiance County (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 2, 2011, 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 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(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 2, 2011.

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



Dave Yost
Auditor of State

June 2, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Ney
Defiance County
P.O. Box 237
Ney, Ohio 43549-0237

To the Village Council:

Compliance

We have audited the compliance of the Village of Ney, Defiance County, (the Village) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village's major federal program for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Village's major federal program. The Village's management is responsible for complying with requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Village's compliance based on our audit

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 required that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance required referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide legal determination on the Village's compliance with those requirements.

In our opinion, the Village of Ney complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2010.

Internal Control Over Compliance

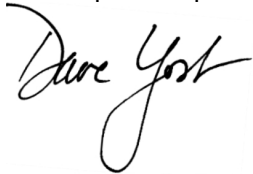
The Village's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over Village compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures or the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the Village's management in a separate letter dated June 2, 2010.

We intend this report solely for the information and use of management, Village Council, others within the Village, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

June 2, 2011

**VILLAGE OF NEY
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	GAAP - Adverse Regulatory - Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant (14.228)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

<i>Finding Number</i>	2010-001
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Noncompliance Citation

Ohio Water Development Authority (OWDA) Loan Agreement 3624 § 4.3 (a) states the Village shall prescribe and charge such rates, after meeting (1) operation and maintenance expenses therefore, and, (2) if required by the Director pursuant to Ohio Revised Code Section 6111.036, a contribution to the Village's capital improvement fund and, (3) the payment of all amounts required by any mortgage, indenture of mortgage, trust indenture or other instrument heretofore or hereafter, granted by the Village, or contractual obligations between the Village and the State, payable solely from pledged revenues, as shall result in revenues at least adequate, to provide for the payments required by Section 4.1 hereof minus the amount of such payment provided from other dedicated repayment sources, if any.

The Village's Water Operating Fund had a net operating income of \$30,388 in 2010, which was not adequate to pay the debt payments of \$35,196. The Village was able to pay the debt payment in 2010 since they had a carryover balance from prior years, however in future years this may result in an inability to make debt payments.

We recommend the Village review their utility rates and operating expenses and take appropriate actions to eliminate future deficits in the water operating fund which could result in sanction being imposed on the Village by OWDA.

<i>Finding Number</i>	2010-002
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Material Weakness – Monitoring of Financial Statements

The Clerk-Treasurer is responsible for the majority of functions relating to the accounting records. Without proper separation of duties there is a possibility errors or fraud could occur and not be detected in a timely period.

The 2010 and 2009 financial statements contained material errors, such as the following:

- 2010 and 2009 Sewer Construction expenditures of \$2,966,943 and \$52,156, respectively, were incorrectly classified as Basic Utility Services rather than Capital Outlay.
- Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA) monies spent on the behalf of the Village in 2009 for \$394,387 were not posted until 2010 in the Capital Projects Fund.
- Debt proceeds spent on the behalf of the Village to payoff the wastewater planning loan of \$55,247 was not posted to the Capital Projects Fund in 2009
- OWDA and Community Development Block Grant (CDBG) receipts of \$111,447 and \$12,500, respectively, were incorrectly posted as Other Financing Sources in the General

Fund in 2010 when they should have been posted as intergovernmental revenues in the Capital Projects Funds.

The financial statements and accounting records have been adjusted to reflect these corrections.

To ensure the Village's financial statements and notes to the statements are complete and accurate, we recommend the Clerk-Treasurer post all transactions in accordance with the guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. Furthermore, the Village Council should periodically review (on a quarterly basis) financial statements including budget to actual comparisons and determine bank reconciliations support the statements submitted.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

VILLAGE OF NEY
DEFIANCE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Recommended monitoring of financial statements	No	Not Corrected, Repeated as finding 2010-002 in this report.



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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
JUNE 21, 2011