

**VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO**

**FINANCIAL STATEMENTS
(AUDIT)**

DECEMBER 31, 2013 and 2012



Dave Yost • Auditor of State

Village Council
Village of Nevada
100 Grant Street
Nevada, Ohio 44849

We have reviewed the *Independent Auditors' Report* of the Village of Nevada, Wyandot County, prepared by Maloney + Novotny LLC, for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Nevada is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 18, 2014

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VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

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38 South Franklin Street | P.O. Box 352 | Delaware, Ohio 43015
P 740.362.9031 F 740.363.7799 W maloneynovotny.com



Donald J. Wolf, CPA
William D. Rogers, CPA
G. Michael Dickey, CPA

Independent Auditors' Report

Village of Nevada
Wyandot County
100 Grant Street
Nevada, Ohio 44849

To the Village Council:

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements and related notes of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free of material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

BASIS FOR ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

ADVERSE OPINION ON U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with the accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in its financial position or cash flows thereof for the years then ended.

OPINION ON REGULATORY BASIS OF ACCOUNTING

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Nevada, Wyandot County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Delaware, Ohio
September 23, 2014

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	Totals (Memorandum Only)
CASH RECEIPTS				
Property and local taxes	\$ 19,642	\$ -	\$ -	\$ 19,642
Intergovernmental	47,463	48,714	-	96,177
Fines, licenses, and permits	603	-	-	603
Miscellaneous	<u>5,140</u>	<u>3</u>	<u>-</u>	<u>5,143</u>
Total cash receipts	<u>72,848</u>	<u>48,717</u>	<u>-</u>	<u>121,565</u>
CASH DISBURSEMENTS				
Current:				
Public health services	2,727	-	-	2,727
Leisure time activities	1,516	-	-	1,516
Community environment	434	-	-	434
Basic utility services	390	-	-	390
Transportation	-	24,047	-	24,047
General government	30,258	-	-	30,258
Capital outlay	-	45,640	-	45,640
Debt service:				
Principal payments	7,193	-	37,901	45,094
Interest payments	<u>-</u>	<u>-</u>	<u>45,378</u>	<u>45,378</u>
Total cash disbursements	<u>42,518</u>	<u>69,687</u>	<u>83,279</u>	<u>195,484</u>
Excess of cash receipts over (under) cash disbursements	30,330	(20,970)	(83,279)	(73,919)
OTHER FINANCING RECEIPTS				
Transfers in	<u>-</u>	<u>-</u>	<u>85,320</u>	<u>85,320</u>
Total other financing receipts	<u>-</u>	<u>-</u>	<u>85,320</u>	<u>85,320</u>
Net change in fund cash balances	30,330	(20,970)	2,041	11,401
FUND CASH BALANCES, BEGINNING OF YEAR				
	<u>8,798</u>	<u>113,337</u>	<u>114,531</u>	<u>236,666</u>
FUND CASH BALANCES				
Restricted	-	88,326	116,572	204,898
Assigned	4,226	4,041	-	8,267
Unassigned	<u>34,902</u>	<u>-</u>	<u>-</u>	<u>34,902</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>39,128</u>	\$ <u>92,367</u>	\$ <u>116,572</u>	\$ <u>248,067</u>

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

VILLAGE OF NEVADA
 WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
 CASH BALANCES – PROPRIETARY FUND TYPE

Year Ended December 31, 2013

	Proprietary Fund Type <u>Enterprise</u>
OPERATING CASH RECEIPTS	
Charges for services	\$ 261,182
Miscellaneous	<u>612</u>
Total operating cash receipts	261,794
OPERATING CASH DISBURSEMENTS	
Personal services	9,811
Contractual services	123,378
Supplies and materials	<u>14,379</u>
Total operating cash disbursements	<u>147,568</u>
Operating income	114,226
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Miscellaneous receipts	2,551
Principal retirement	(1,138)
Other financing uses	<u>(1,990)</u>
Total non-operating cash receipts (disbursements)	<u>(577)</u>
Excess of receipts over disbursements before transfers	113,649
TRANSFERS OUT	<u>(85,320)</u>
Net receipts over disbursements	28,329
FUND CASH BALANCES, BEGINNING OF YEAR	<u>112,997</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>141,326</u>

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

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2012

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
CASH RECEIPTS				
Property and local taxes	\$ 18,154	\$ -	\$ -	\$ 18,154
Intergovernmental	15,772	47,824	-	63,596
Fines, licenses, and permits	597	-	-	597
Earnings on investments	62	-	-	62
Miscellaneous	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>
Total cash receipts	<u>34,585</u>	<u>47,828</u>	<u>-</u>	<u>82,413</u>
CASH DISBURSEMENTS				
Current:				
Security of persons and property	8,677	-	-	8,677
Public health services	3,121	-	-	3,121
Leisure time activities	1,894	-	-	1,894
Community environment	203	-	-	203
Basic utility services	390	-	-	390
Transportation	-	18,724	-	18,724
General government	24,905	-	-	24,905
Capital outlay	-	21,007	-	21,007
Debt service:				
Principal payments	4,795	-	35,968	40,763
Interest payments	<u>-</u>	<u>-</u>	<u>47,166</u>	<u>47,166</u>
Total cash disbursements	<u>43,985</u>	<u>39,731</u>	<u>83,134</u>	<u>166,850</u>
Excess of cash receipts over (under) cash disbursements	(9,400)	8,097	(83,134)	(84,437)
OTHER FINANCING RECEIPTS				
Transfers in	-	-	90,117	90,117
Transfers out	(4,797)	-	-	(4,797)
Other financing sources	<u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>
Total other financing receipts	<u>(4,744)</u>	<u>-</u>	<u>90,117</u>	<u>85,373</u>
Net change in fund cash balances	(14,144)	8,097	6,983	936
FUND CASH BALANCES, BEGINNING OF YEAR	<u>22,942</u>	<u>105,240</u>	<u>107,548</u>	<u>235,730</u>
FUND CASH BALANCES				
Restricted	-	87,427	114,531	201,958
Assigned	9,046	25,910	-	34,956
Unassigned	<u>(248)</u>	<u>-</u>	<u>-</u>	<u>(248)</u>
FUND CASH BALANCES, END OF YEAR	<u>\$ 8,798</u>	<u>\$ 113,337</u>	<u>\$ 114,531</u>	<u>\$ 236,666</u>

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

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES – PROPRIETARY FUND TYPE

Year Ended December 31, 2012

	Proprietary <u>Fund Type</u> <u>Enterprise</u>
OPERATING CASH RECEIPTS	
Charges for services	\$ 251,827
Miscellaneous	<u>156</u>
Total operating cash receipts	251,983
OPERATING CASH DISBURSEMENTS	
Personal services	9,304
Contractual services	115,634
Supplies and materials	<u>32,630</u>
Total operating cash disbursements	<u>157,568</u>
Operating income	94,415
NON-OPERATING CASH RECEIPTS (DISBURSEMENTS)	
Miscellaneous receipts	3,642
Principal retirement	(569)
Other financing uses	<u>(1,707)</u>
Total non-operating cash receipts (disbursements)	<u>1,366</u>
Excess of receipts over disbursements before transfers	95,781
TRANSFERS OUT	<u>(85,320)</u>
Net receipts over disbursements	10,461
FUND CASH BALANCES, BEGINNING OF YEAR	102,536
FUND CASH BALANCES, END OF YEAR	\$ <u>112,997</u>

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

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. 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 Nevada, Wyandot County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. Wyandot East Fire District provides fire protection services. Wyandot County Sheriff's Department provides security of persons and property to the Village.

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. The 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 report 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 that is restricted as to use. The Village classifies its funds into the following types:

Governmental Fund Types:

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Fund:

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

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting, continued

Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

Water Debt Fund – This fund receives transfers from the water operating fund for debt payments related to an Ohio Water Development Authority loan.

Sewer Debt Fund – This fund receives transfers from the sewer operating fund for debt payments related to outstanding sewer bonds.

Sewer Debt Reserve Fund – This fund receives set aside amounts for the outstanding sewer bond based upon the debt covenants in the agreement.

Proprietary Fund Types:

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 costs.

Sewer Fund – This fund receives charges for services from residents to cover sewer costs.

E. Budgetary Process – The Ohio Revised Code (ORC) requires that each fund be budgeted annually.

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.

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.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process, continued

Encumbrances – The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance – Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed – Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirement.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by state statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 2. EQUITY IN POOLED CASH

The Village maintains a deposit pool of cash used by all funds. The ORC prescribes allowable deposits and investments for the pool of cash. The carrying amounts of cash at December 31 were as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	\$ <u>389,393</u>	\$ <u>349,663</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution of the Village.

NOTE 3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

<u>Fund Type</u>	2013 Budgeted vs. Actual Receipts		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 24,100	\$ 72,848	\$ 48,748
Special Revenue	43,000	48,717	5,717
Debt Service	-	85,320	85,320
Proprietary	<u>241,000</u>	<u>264,345</u>	<u>23,345</u>
Total	\$ <u>308,100</u>	\$ <u>471,230</u>	\$ <u>163,130</u>

<u>Fund Type</u>	2013 Budgeted vs. Actual Budgetary Basis Expenditures		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 32,315	\$ 42,518	\$ (10,203)
Special Revenue	156,200	69,687	86,513
Debt Service	153,790	83,279	70,511
Proprietary	<u>315,250</u>	<u>236,016</u>	<u>79,234</u>
Total	\$ <u>657,555</u>	\$ <u>431,500</u>	\$ <u>226,055</u>

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 3. BUDGETARY ACTIVITY (CONTINUED)

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 38,040	\$ 34,638	\$ (3,402)
Special Revenue	46,900	47,828	928
Debt Service	78,680	85,320	6,640
Proprietary	<u>219,000</u>	<u>255,625</u>	<u>36,625</u>
Total	\$ <u>382,620</u>	\$ <u>423,411</u>	\$ <u>40,791</u>

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 56,100	\$ 43,985	\$ 12,115
Special Revenue	107,000	39,731	67,269
Debt Service	153,800	83,134	70,666
Proprietary	<u>246,100</u>	<u>245,148</u>	<u>952</u>
Total	\$ <u>563,000</u>	\$ <u>411,998</u>	\$ <u>151,002</u>

NOTE 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 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.

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

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEBT OBLIGATIONS

At December 31, 2013 and 2012, debt obligations consisted of:

<u>Description</u>	<u>2013</u>	<u>2012</u>
Series 1995 United States Department of Agriculture (USDA) Sanitary Sewer System Mortgage Revenue Bond, due in annual installments of varying amounts through 2036 at a rate of 4.5%	\$ 823,000	\$ 843,000
1999 Ohio Water Development Authority (OWDA) for water system improvements, due in semi-annual installments of \$12,672 through 2019 at a rate of 5.5%	117,417	135,318
2006 Ohio Public Works Commission (OPWC) for storm sewer improvements, due in semi-annual installments of \$2,398 through 2027 at a rate of 1.5%	59,937	67,130
2011 OPWC waterline replacement, due in semi-annual installments of \$569 through 2042 at a rate of 0.00%	<u>32,418</u>	<u>33,556</u>
Total debt obligations	\$ <u>1,032,772</u>	\$ <u>1,079,004</u>

The Village's long-term debt activity for the year ended December 31, 2013 follows:

	<u>Balance</u> <u>12/31/2012</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2013</u>
USDA Revenue Bonds – sewer system	\$ 843,000	\$ 20,000	\$ 823,000
OWDA – water system improvements	135,318	17,901	117,417
OPWC – storm sewer improvements	67,130	7,193	59,937
OPWC – waterline replacement	<u>33,556</u>	<u>1,138</u>	<u>32,418</u>
	\$ <u>1,079,004</u>	\$ <u>46,232</u>	\$ <u>1,032,772</u>

The Village's long-term debt activity for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>12/31/2011</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/2012</u>
USDA Revenue Bonds – sewer system	\$ 862,000	\$ 19,000	\$ 843,000
OWDA – water system improvements	152,286	16,968	135,318
OPWC – storm sewer improvements	71,925	4,795	67,130
OPWC – waterline replacement	<u>34,125</u>	<u>569</u>	<u>33,556</u>
	\$ <u>1,120,336</u>	\$ <u>41,332</u>	\$ <u>1,079,004</u>

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEBT OBLIGATIONS (CONTINUED)

The Village is restating the beginning balance of the OPWC storm sewer improvements debt as of January 1, 2012 based upon prior loan payment paid and remitted at end of 2009 and recorded by OPWC in beginning of 2010. This \$2,398 payment was not reflected in the 2009 balance.

During 1995, a Sewer System First Mortgage Revenue Bond related to the construction of the Village sewer system and wastewater treatment plant was issued. The original amount of the bond was \$1,050,000 and will be repaid in annual installments over 40 years as set forth within the amortization schedule and has a fixed interest rate of 4.5%. The final payment will be due May 1, 2036. The bonds are secured by an Indenture of Mortgage on the properties of the utility. As of December 31, 2013, the total outstanding balance was \$823,000.

As required by the Sewer System Bond covenant, the Village has established and funded a sewer debt service fund, included as a debt service fund. The balance in the fund at December 31, 2013 is \$47,125. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2013 is \$58,860. Also, as required by a loan covenant, the Village has established and funded a water debt service fund, included as a debt service fund. The balance in this fund at December 31, 2013 is \$10,587.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water line project and plant expansion update that was mandated by the Ohio Environmental Protection Agency. The original amount of the loan was \$300,000. The loan will be repaid in semiannual installments of \$12,672, including interest over 20 years and has a fixed interest rate of 5.50%. Payments on the outstanding balance began in 2000 and the final installment will be due July 1, 2019. The loan is collateralized by water and sewer receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2013, the total outstanding balance was \$117,417.

During 2006, the Village entered into a loan agreement with the OPWC for south side storm sewer improvements. The original amount of the loan was \$95,900. The loan will be repaid in semiannual installments of \$2,398 over 20 years. Payments on the outstanding balance began in 2007 and final installment will be due January 1, 2027. As of December 31, 2013, the total outstanding balance was \$59,937.

In 2011, the Village entered into a loan agreement with the OPWC for the replacement of a waterline. The original amount of the loan was \$34,125. The loan will be repaid in semiannual installments of \$569 over 30 years. Payments on the outstanding balance began in 2012 and final installment will be due January 1, 2042. As of December 31, 2013, the total outstanding balance was \$32,418.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 5. DEBT OBLIGATIONS (CONTINUED)

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

Year Ending December 31	Mortgage <u>Revenue Bonds</u>	OWDA <u>Loan</u>	OPWC <u>Loan</u>	OPWC <u>Loan</u>
2014	\$ 58,035	\$ 25,344	\$ 4,795	\$ 1,138
2015	58,090	25,344	4,795	1,138
2016	58,100	25,344	4,795	1,138
2017	58,065	25,344	4,795	1,138
2018	57,985	25,344	4,795	1,138
2019-2023	290,880	25,342	23,975	5,688
2024-2028	290,465	-	14,385	5,688
2029-2033	292,275	-	-	5,688
2034-2038	174,625	-	-	5,688
2039-2042	-	-	-	3,976
Total	\$ <u>1,338,520</u>	\$ <u>152,062</u>	\$ <u>62,335</u>	\$ <u>32,418</u>

NOTE 6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The ORC prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits. The ORC also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2013.

Effective July 1, 1991, all employees not otherwise covered by the OPERS have an option to choose Social Security. As of December 31, 2013, ten employees of the Village have elected Social Security. The employees' liability is 6.2 and 4.2 percent of wages paid for 2013 and 2012, respectively. The Village's liability is 6.2 percent of wages paid for both years.

NOTE 7. RISK MANAGEMENT

The Village is exposed to various risks and property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Government belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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 is legally separate from its member governments.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RISK MANAGEMENT (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 coverage to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs 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 retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first 1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the Plan increased its retention to 50% of the first \$250,000 casualty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 767 members as of December 31, 2013 and 2012 respectively.

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 the membership period, remain the responsibility of the Plan.

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

The Plan's audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and equity at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$ 13,774,304	\$13,100,381
Liabilities	<u>(7,968,395)</u>	<u>(6,687,193)</u>
Members' equity	\$ <u>5,805,909</u>	\$ <u>6,413,188</u>

The complete audited financial statements for OPRM is available at the Plan's website, www.ohioplan.org.

NOTE 8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 23, 2014 which is the date the financial statements were available to be issued.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE 9. COMPLIANCE

Contrary to Ohio law:

- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- Expenditures exceeded appropriations in the Water and Sewer fund in 2012; and in the General fund in 2013.
- The Village did not encumber all funds prior to expenditures.
- Appropriations exceeded estimated resources in the Water Debt Retirement and Sewer Debt Retirement funds in 2013.
- In 2013 and 2012 the estimated unencumbered balances did not agree to the balances at the end of the preceding year.

Contrary to Federal law:

- The Village did not file the appropriate payroll forms timely with the Internal Revenue Service, nor were timely deposits of withholding taxes made, resulting in penalties and interest assessed to the Village.
- The Village did not issue Internal Revenue Service Form 1099-MISC's for 2013 or 2012.

Donald J. Wolf, CPA
William D. Rogers, CPA
G. Michael Dickey, CPA

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

Village of Nevada
Wyandot County
100 Grant Street
Nevada, Ohio 44849

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Nevada, Wyandot County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 23, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider Findings 2013-01, 2013-03, 2013-04 and 2013-05 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Findings 2013-06 and 2013-08 described in the accompanying Schedule of Findings to be significant deficiencies.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Findings 2013-01 through 2013-04 and 2013-06 through 2013-09.

PURPOSE OF THIS REPORT

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Meloney + Novotny LLC".

Delaware, Ohio
September 23, 2014

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-01
MATERIAL WEAKNESS/NONCOMPLIANCE

Ohio Revised Code (ORC) Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure.

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2013.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
Water Debt Retirement	\$ 9,292	\$ 35,930	\$ (26,638)
Sewer Debt Retirement	46,380	59,000	(12,620)

We recommend the Village monitor closely its appropriation and estimated resources and ensure that all required budgetary documents, including amended appropriations and estimated resources are filed with the Budget Commission.

VILLAGE RESPONSE:

No Village response received.

FINDING NUMBER 2013-02
NONCOMPLIANCE

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$9,635 in the General Fund for 2013 and in the Water and Sewer Retirement Funds by \$14,975 and \$14,004, respectively.

VILLAGE RESPONSE:

No Village response received.

VILLAGE OF NEVADA
 WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-03
 MATERIAL WEAKNESS/NONCOMPLIANCE

ORC Section 5705.36 (A)(5) provides that on or about the first day of each fiscal year, the fiscal officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that may exist at the end of the preceding year. It further provides that encumbered but unexpected funds from the previous year shall not be included as available. This is generally referred to as the “first amended” certificate of estimated resources and shall serve as the basis of the annual appropriation resolution. Additionally, ORC Section 5705.36 provides that total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund.

For 2013 and 2012, the estimated unencumbered balance did not agree to balances existing at the end of the preceding year. An amended certificate of estimated resources was not completed.

<u>2013</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
Sewer Retirement	\$ <u>58,860</u>	\$ <u>58,586</u>	\$ <u>274</u>

<u>2012</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General	\$ 22,942	\$ 18,132	\$ 4,810
Street/State Highway	105,240	105,238	2
Water/Sewer Retirement	107,548	112,345	(4,797)
Enterprise	<u>102,536</u>	<u>102,518</u>	<u>18</u>
	\$ <u>338,266</u>	\$ <u>338,233</u>	\$ <u>33</u>

VILLAGE RESPONSE:

No Village response received.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-04
MATERIAL WEAKNESS/NONCOMPLIANCE

Internal Revenue Code Chapter 26 requires employing governments to withhold federal, state and local income and employment related taxes. Employing governments are also required to comply with remittance requirements for these withholdings. The Village received several notices for late filing of certain taxes and was assessed penalties and interest in 2012 of \$4,038. Late filing and remittances of these regulatory withholdings cause the Village to expend additional funds unnecessarily.

VILLAGE RESPONSE:

No Village response received.

FINDING NUMBER 2013-05
MATERIAL WEAKNESS

The Village Officer's Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Village prepared financial statements that required reclassification entries in 2013 and 2012, respectively:

- In 2012, the beginning balances in the General Fund and Debt Fund for the Sewer Debt did not agree to the prior year audited amounts by \$4,797.
- In 2012 and 2013, principal payments of \$2,398 and \$4,795, respectively, were paid out of general government instead of debt service in the General Fund.
- In 2012 and 2013, the principal and interest portion of loan payments totaling \$83,134 and \$83,279, respectively, were not recorded properly.
- In 2012 and 2013, intergovernmental receipts of \$8,276 and \$43,995, respectively, were recorded as property and local taxes in the General Fund.
- Principal payments of \$569 were paid out of general government in 2012 and \$1,138 out of contractual services in 2013 instead of principal retirement in the Enterprise Fund.

These adjustments are reflected in the audited financial statements and the Village's books. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were materially misstated.

VILLAGE RESPONSE:

No Village response received.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-06
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

ORC 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 when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. Funds were not encumbered prior to expenditure for five of the twenty-five disbursements tested and Then and Now Certificates were not prepared. Three disbursements had not been certified on the purchase orders.

VILLAGE RESPONSE:

No Village response received.

FINDING NUMBER 2013-07
NONCOMPLIANCE

ORC 117.38 states that at the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer. The Village did not publish in the local newspaper that the financial reports were available for public inspection for 2013 and 2012.

VILLAGE RESPONSE:

No Village response received.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2013 and 2012

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

FINDING NUMBER 2013-08
SIGNIFICANT DEFICIENCY/NONCOMPLIANCE

The Internal Revenue Code requires an entity to issue Internal Revenue Service Form 1099-MISC when payments for services performed for the entity by individuals or unincorporated businesses that are not treated as employees total \$600 or more. The Village wrote checks payable to one unincorporated business in 2013 and 2012 totaling \$4,130 and \$4,910, respectively, and did not issue a Form 1099-MISC.

VILLAGE RESPONSE:

No Village response received.

FINDING NUMBER 2013-09
NONCOMPLIANCE

ORC Section 149.351(A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the ORC or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the ORC. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

During testing, one expenditure totaling \$1,026 had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. Proper public purpose was determined through alternative procedures. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We recommend all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

VILLAGE RESPONSE:

No Village response received.

VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2013 AND 2012

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2011-01	ORC 5705.36 (A)(4) Appropriations Exceeded Actual Resources	Yes	Corrected, finding no longer valid.
2011-02	IRS – Federal, State And Local Payroll Taxes	No	Not corrected, repeated as Finding Number 2013-04.
2011-03	Appropriations Exceed Estimated Resources	No	Not corrected, repeated as Finding Number 2013-01.
2011-04	ORC 5705.36 (A)(5) Amending Certificate of Estimated Resources	No	Not corrected, repeated as Finding Number 2013-03.
2011-05	Use of Appropriate Revenue and Expenditure Code	No	Not corrected, repeated as Finding Number 2013-05.
2011-06	Late Fees For Late Payments of Expenditures	Yes	Corrected, finding no longer valid.
2011-07	Numerical Check Sequencing Use	Yes	Corrected, finding no longer valid.
2011-08	Funds Not Encumbered Prior to Expenditure	No	Not corrected, repeated as Finding Number 2013-06.
2011-09	Documentation for Reimbursements	Yes	Corrected, finding no longer valid.
2011-10	Recording of Debt and Capital Outlay Activity	Yes	Corrected, finding no longer valid
2011-11	Support Documentation For Expenditures	No	Not corrected, repeated as Finding Number 2013-09
2011-12	Expenditure Exceeded Appropriations	No	Not corrected, repeated as Finding Number 2013-02
2011-13	Support Documentation For Reimbursement	Yes	Corrected, finding no longer valid.

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Dave Yost • Auditor of State

VILLAGE OF NEVADA

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**