



Dave Yost • Auditor of State



VILLAGE OF NEY  
DEFIANCE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Village of Ney, Defiance County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

### ***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.

### ***Auditor's 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 from 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.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in 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 cash balances of the Village of Ney, Defiance County, Ohio as of December 31, 2014 and 2013, 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 August 5, 2015, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 5, 2015

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$6,258	\$6,892		\$13,150
Intergovernmental	30,320	19,908	\$10,684	60,912
Special Assessments		3,833		3,833
Earnings on Investments	215			215
Miscellaneous	2,718			2,718
<i>Total Cash Receipts</i>	<u>39,511</u>	<u>30,633</u>	<u>10,684</u>	<u>80,828</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	4,960	13,519		18,479
Basic Utility Services	360			360
Transportation		26,575		26,575
General Government	47,574	192		47,766
Capital Outlay			10,684	10,684
<i>Total Cash Disbursements</i>	<u>52,894</u>	<u>40,286</u>	<u>\$10,684</u>	<u>103,864</u>
<i>Excess of Cash Disbursements over Cash Receipts</i>	<u>(13,383)</u>	<u>(9,653)</u>		<u>(23,036)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Sources	144			144
Other Financing Uses	(1,250)			(1,250)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,106)</u>			<u>(1,106)</u>
<i>Net Change in Fund Cash Balances</i>	(14,489)	(9,653)		(24,142)
<i>Fund Cash Balances, January 1</i>	<u>20,061</u>	<u>83,099</u>		<u>103,160</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		73,446		73,446
Assigned	5,572			5,572
<i>Fund Cash Balances, December 31</i>	<u>\$5,572</u>	<u>\$73,446</u>		<u>\$79,018</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$112,095			\$112,095
Special Assessments	26,093			26,093
Earnings on Investments			\$3	3
<i>Total Operating Cash Receipts</i>	<u>138,188</u>		<u>3</u>	<u>138,191</u>
<b>Operating Cash Disbursements</b>				
Personal Services	21,014			21,014
Employee Fringe Benefits	2,984			2,984
Contractual Services	38,636			38,636
Supplies and Materials	17,022			17,022
Other		\$764		764
<i>Total Operating Cash Disbursements</i>	<u>79,656</u>	<u>764</u>		<u>80,420</u>
<i>Operating Income (Loss)</i>	<u>58,532</u>	<u>(764)</u>	<u>3</u>	<u>57,771</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Donations		1,120		1,120
Principal Retirement	(14,759)			(14,759)
Interest and Other Fiscal Charges	(11,275)			(11,275)
Other Financing Sources		3,000		3,000
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(26,034)</u>	<u>4,120</u>		<u>(21,914)</u>
<i>Net Change in Fund Cash Balances</i>	<u>32,498</u>	<u>3,356</u>	<u>3</u>	<u>35,857</u>
<i>Fund Cash Balances, January 1</i>	<u>385,002</u>	<u>1,383</u>	<u>24,094</u>	<u>410,479</u>
<i>Fund Cash Balances, December 31</i>	<u>\$417,500</u>	<u>\$4,739</u>	<u>\$24,097</u>	<u>\$446,336</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$6,729	\$7,374		\$14,103
Intergovernmental	30,917	18,573	\$6,750	56,240
Special Assessments		4,146		4,146
Earnings on Investments	226	7		233
Miscellaneous	3,332			3,332
<i>Total Cash Receipts</i>	<u>41,204</u>	<u>30,100</u>	<u>6,750</u>	<u>78,054</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	7,620	17,928		25,548
Leisure Time Activities	422			422
Basic Utility Services	360			360
Transportation	21,757	15,840		37,597
General Government	59,152	245		59,397
Capital Outlay			6,750	6,750
<i>Total Cash Disbursements</i>	<u>89,311</u>	<u>34,013</u>	<u>\$6,750</u>	<u>130,074</u>
<i>Excess of Cash Disbursements over Cash Receipts</i>	<u>(48,107)</u>	<u>(3,913)</u>		<u>(52,020)</u>
<b>Other Financing Receipts</b>				
Sale of Capital Assets	10,347			10,347
Other Financing Sources	7			7
<i>Total Other Financing Receipts</i>	<u>10,354</u>			<u>10,354</u>
<i>Net Change in Fund Cash Balances</i>	<u>(37,753)</u>	<u>(3,913)</u>		<u>(41,666)</u>
<i>Fund Cash Balances, January 1</i>	<u>57,814</u>	<u>87,012</u>		<u>144,826</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		83,099		83,099
Assigned	20,061			20,061
<i>Fund Cash Balances, December 31</i>	<u>\$20,061</u>	<u>\$83,099</u>		<u>\$103,160</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type		Totals
	Enterprise	Agency	Private Purpose Trust	(Memorandum Only)
<b>Operating Cash Receipts</b>				
Charges for Services	\$113,957			\$113,957
Special Assessments	8,698			8,698
Earnings on Investments			\$4	4
<i>Total Operating Cash Receipts</i>	<u>122,655</u>		<u>4</u>	<u>122,659</u>
<b>Operating Cash Disbursements</b>				
Personal Services	11,490			11,490
Employee Fringe Benefits	1,775			1,775
Contractual Services	27,852			27,852
Supplies and Materials	24,101			24,101
Other		\$27,885		27,885
<i>Total Operating Cash Disbursements</i>	<u>65,218</u>	<u>27,885</u>		<u>93,103</u>
<i>Operating Income (Loss)</i>	<u>57,437</u>	<u>(27,885)</u>	<u>4</u>	<u>29,556</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Donations		21,888		21,888
Principal Retirement	(6,420)			(6,420)
Interest and Other Fiscal Charges	(11,606)			(11,606)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,026)</u>	<u>21,888</u>		<u>3,862</u>
<i>Net Change in Fund Cash Balances</i>	<u>39,411</u>	<u>(5,997)</u>	<u>4</u>	<u>33,418</u>
<i>Fund Cash Balances, January 1</i>	<u>345,591</u>	<u>7,380</u>	<u>24,090</u>	<u>377,061</u>
<i>Fund Cash Balances, December 31</i>	<u>\$385,002</u>	<u>\$1,383</u>	<u>\$24,094</u>	<u>\$410,479</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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, Ohio (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. The Village contracts with Washington Township to receive fire protection services. The Village contracts with the Defiance County Sheriff's Department to receive security of persons and property.

The Village participates in the Ohio Plan Risk Management, Inc., a 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Street Light Assessment Fund - This fund receives special assessment monies to fund street light repairs.

Fire Fund - This fund receives fire levy tax money for fire protection services.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Public Works Commission Capital Projects Fund - This fund receives grant revenues from the State of Ohio for road improvements to various Village streets.

**4. Enterprise Funds**

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

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

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs and debt payments for the retirement of outstanding indebtedness.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency 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.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Funds:

Memorial Park Fund - This fund received donations to construct and upkeep a veteran's memorial park in the Village.

Park Board Fund – The fund received a payment on behalf of the Ney Community Park Board.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been adjusted.

A summary of 2014 and 2013 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 imposed upon the use of its governmental-fund resources. The classifications are as follows:

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**1. Nonspendable**

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

**2. 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.

**3. 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 requirements.

**4. 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.

**5. 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 NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**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 and cash on hand at December 31 was as follows:

	2014	2013
Demand deposits	\$76,984	\$68,482
Other time deposits (savings)	448,320	445,107
Cash on hand	50	50
Total deposits and cash on hand	\$525,354	\$513,639

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,823	\$39,655	(\$2,168)
Special Revenue	31,300	30,633	(667)
Capital Projects	25,000	10,684	(14,316)
Enterprise	135,000	138,188	3,188
Fiduciary	1,020	4,123	3,103
Total	\$234,143	\$223,283	(\$10,860)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,399	\$54,144	\$8,255
Special Revenue	114,704	40,286	74,418
Capital Projects	25,000	10,684	14,316
Enterprise	282,439	214,190	68,249
Fiduciary	26,497	764	25,733
Total	\$511,039	\$320,068	\$190,971

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,458	\$51,558	\$4,100
Special Revenue	31,000	30,100	(900)
Capital Projects	30,000	6,750	(23,250)
Enterprise	135,000	122,655	(12,345)
Fiduciary	25,020	21,892	(3,128)
Total	<u>\$268,478</u>	<u>\$232,955</u>	<u>(\$35,523)</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,187	\$89,507	\$15,680
Special Revenue	118,012	34,013	83,999
Capital Projects	30,000	6,750	23,250
Enterprise	253,557	83,244	170,313
Fiduciary	56,490	27,885	28,605
Total	<u>\$563,246</u>	<u>\$241,399</u>	<u>\$321,847</u>

**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.

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, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan 3624	\$194,945	5.65%
Ohio Water Development Authority Loan 5272	138,214	
Total	<u>\$333,159</u>	

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 from OWDA was \$250,009 for this project. Loan principal and interest payments are

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

due semi-annually on January 1 and July 1. Repayment of the loan will occur over thirty years from 2003 through 2032. 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 Village received loan proceeds of \$449,474 for this project, of which \$276,706 has been retired through "principal forgiveness" by OWDA in 2012. The Village will repay the loan in semiannual installments on January 1 and July 1. Repayment of the loan will occur over twenty years from 2011 through 2030. The Village approved a monthly charge to each water user in the Village as the dedicated source of repayment for this loan.

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

Year ending December 31:	OWDA Loan #3624	OWDA Loan #5272
2015	\$17,396	\$8,638
2016	17,396	8,638
2017	17,396	8,639
2018	17,396	8,638
2019	17,396	8,639
2020-2024	86,976	43,192
2025-2029	86,976	43,192
2030-2032	52,186	8,638
Total	\$313,118	\$138,214

**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 2014 and 2013, 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, 2014.

**7. Risk Management**

The Village 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 NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(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.

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 treaty. 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 783 members as of December 31, 2013 and 2014, 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 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 equity at December 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$13,774,304	\$14,830,185
Liabilities	<u>(7,968,395)</u>	<u>(8,942,504)</u>
Members' Equity	<u>\$5,805,909</u>	<u>\$5,887,681</u>

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

**8. Compliance**

Contrary to Ohio Revised Code 5705.10, wages were posted to improper funds in 2014 and 2013.

**9. Subsequent Events**

In July 2015, the Village issued manuscript debt from the sewer fund in the amount of \$50,000 to the General Fund and \$25,000 to the Street Construction Fund to prevent eliminate balances.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 Members of 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 Ney, Defiance County, Ohio, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 5, 2015 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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

***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 items 2014-001 and 2014-002.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

August 5, 2015

VILLAGE OF NEY  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.41(D)** provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, each of which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Council.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village had \$108,500 in outstanding purchase commitments in Enterprise Funds at December 31, 2014, which were not properly certified and thus were not reported as encumbrances in the notes to the financial statements by the Clerk-Treasurer. These errors were not identified and corrected prior to the audit due to deficiencies in the Village's financial statement monitoring. The accompanying budgetary presentation footnote has been adjusted to reflect this amount of outstanding encumbrances at year end in the Enterprise fund type. Failure to properly certify expenditures and post encumbrances can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the funds are or will be available prior to obligation by the Council. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk-Treasurer certify and post encumbrances for purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

#### **FINDING NUMBER 2014-002**

##### **Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 5705.10** requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose shall be paid into a special fund for such purpose. Furthermore, money paid into any fund must be used only for the purposes for which such fund is established. The following exceptions occurred due to insufficient management over site:

- In 2014, \$22,980 of wages and related benefits of the Village's Street Superintendent, who mows, plows streets, and performs other miscellaneous duties as needed, were charged to the Water and Sewer Operating Funds by the improper amounts. The accompanying financial statement and accounting records have been adjusted to show these wages and related benefits being apportioned to the Street Construction, Maintenance, and Repair Fund, Water Operating Fund, and Sewer Operating Fund by the percentages authorized by Village Council.
- In 2014 and 2013, a portion of the Village's Water Superintendent's hourly wages and related benefits, which amounted to \$3,518 and \$4,108, respectively, were attributable to work unrelated to the water operations and were incorrectly charged to the Water Operating Fund. This portion of the employee's wages and related benefits should have been allocated to the Sewer Operating, Street, and General funds based on the time spent performing work attributable to those funds.
- At December 31, 2014, the Street Construction, Maintenance, and Repair Fund had a cash deficit balance of \$738.

As a result, the Village's accounting ledgers and financial statements did not correctly reflect the financial activity of the Village. The financial statements and accounting records have been adjusted so these transactions are reflected in the proper funds.

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the Village.

We recommend all financial transactions be included in the proper fund and account codes as specified in the Village Officers' Handbook issued by the Auditor of State. Timesheets should also be prepared by all employees documenting the time spent on each task so their wages can be apportioned to the correct funds.

### **FINDING NUMBER 2014-003**

#### **Material Weakness**

##### **Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Clerk-Treasurer and Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The Clerk-Treasurer is responsible for the majority of the functions related 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 Village lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2014 and 2013, the Village received \$26,093 and \$8,698, respectively, from Central Local School District (the School District) to cover the Village's debt service payments for the water tower located on the School District's property. The payments received from the School District, however, were incorrectly posted as charges for services revenue instead of special assessments revenue in the Water Operating Fund for both years.
- In 2013, \$10,347 was received for the sale of a Village building, however, the payment was incorrectly posted as miscellaneous revenue instead of a sale of capital assets in the General Fund.
- In 2014 and 2013, Memorial Park donations received totaling \$1,120 and \$21,888, respectively, were reported as miscellaneous revenue instead of reporting donations as a separate line item on the financial statements for the Agency fund type.
- In 2014 and 2013, unassigned fund balance was overstated and assigned fund balance was understated in the General Fund by \$5,572 and \$20,061, respectively.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The Village's financial statements and accounting records have been adjusted to reflect these and other discrepancies ranging in amounts up to \$26,093.

To ensure the financial statements and notes to the statements are complete and accurate, we recommend the Clerk-Treasurer post all transactions in accordance with guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. The Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Clerk-Treasurer and Council to identify and correct errors and omissions.

#### **Officials' Response:**

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

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**VILLAGE OF NEY  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Material weakness due to lack of monitoring of financial transactions.	No	Not corrected. Reissued as Finding 2014-003 in this report.
2012-002	Material weakness due to errors in posting of estimated receipts.	Yes	
2012-003	Material weakness due not properly reporting and budgeting Ohio Water Development Authority grant money spent on the Village's behalf.	Yes	

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# Dave Yost • Auditor of State

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  
SEPTEMBER 1, 2015