



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF NEVADA
 WYANDOT COUNTY
 DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Nevada
Wyandot County
P.O. Box 430
Nevada, Ohio 44849-0430

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such 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 opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 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 (GAAP), 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 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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Nevada, Wyandot County, Ohio as of December 31, 2019 and 2018, 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 2.

Emphasis of Matters

As discussed in Note 3 to the financial statements, for the year ended December 31, 2018, the Village restated the beginning fund balances in the Debt Service and Enterprise funds to properly report the Water and Sewer Debt Retirement funds as Enterprise funds. We did not modify our opinion regarding this matter.

As discussed in Note 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

July 31, 2020

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Village of Nevada
Wyandot County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$18,136	\$4,897		\$23,033
Intergovernmental	16,417	51,007		67,424
Fines, Licenses and Permits	108			108
Earnings on Investments	89	95		184
Miscellaneous	5,131			5,131
<i>Total Cash Receipts</i>	<u>39,881</u>	<u>55,999</u>		<u>95,880</u>
Cash Disbursements				
Current:				
Security of Persons and Property	698			698
Public Health Services	2,453			2,453
Leisure Time Activities	6,858			6,858
Community Environment	648			648
Basic Utility Services	10,030			10,030
Transportation		39,313		39,313
General Government	28,051			28,051
Debt Service:				
Principal Retirement	313	5,324	\$1,250	6,887
<i>Total Cash Disbursements</i>	<u>49,051</u>	<u>44,637</u>	<u>1,250</u>	<u>94,938</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,170)</u>	<u>11,362</u>	<u>(1,250)</u>	<u>942</u>
Other Financing Receipts				
Sale of Capital Assets			\$1,250	1,250
<i>Net Change in Fund Cash Balances</i>	(9,170)	11,362		2,192
<i>Fund Cash Balances, January 1</i>	<u>24,095</u>	<u>150,502</u>		<u>174,597</u>
Fund Cash Balances, December 31				
Restricted		161,864		161,864
Assigned	14,925			14,925
<i>Fund Cash Balances, December 31</i>	<u>\$14,925</u>	<u>\$161,864</u>		<u>\$176,789</u>

See accompanying notes to the basic financial statements

Village of Nevada
Wyandot County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2019

	Enterprise
Operating Cash Receipts	
Charges for Services	\$262,363
Operating Cash Disbursements	
Personal Services	15,375
Employee Fringe Benefits	2,322
Contractual Services	105,331
Supplies and Materials	29,685
Other	895
<i>Total Operating Cash Disbursements</i>	153,608
<i>Operating Income</i>	108,755
Non-Operating Receipts (Disbursements)	
Earnings on Investments	160
Principal Retirement	(56,587)
Interest and Other Fiscal Charges	(32,915)
<i>Total Non-Operating Receipts (Disbursements)</i>	(89,342)
<i>Income before Transfers</i>	19,413
Transfers In	74,220
Transfers Out	(74,220)
<i>Net Change in Fund Cash Balances</i>	19,413
<i>Fund Cash Balances, January 1</i>	345,437
<i>Fund Cash Balances, December 31</i>	\$364,850

See accompanying notes to the basic financial statements

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Nevada, Wyandot County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Wyandot County Sheriff's department to provide security of persons and property. Wyandot East Fire District provides fire protection and rescue services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair The Street Construction Maintenance and Repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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:

Permanent Improvement Fund The Permanent Improvement fund accounts for and reports proceeds of the sale of a truck and the debt payment to purchase/lease a new truck.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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 The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Debt Retirement Fund The Water Debt Retirement fund accounts for the transfers from the water operating fund for the debt payments relating to the Village's Ohio Water Development Authority waterline and plant expansion loan.

Sewer Debt Retirement Fund The Sewer Debt Retirement fund accounts for the transfers from the sewer operating fund for the debt payments relating to the Village's Sewer System Revenue Mortgage Bonds.

Sewer Debt Reserve Fund The Sewer Debt Reserve fund accounts for the transfers from the sewer operating fund to comply with the debt covenants relating to the Village's Sewer System Revenue Mortgage Bonds.

Basis of Accounting

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 Board 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.

Budgetary Process

The Ohio Revised Code 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. 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 approve estimated resources.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 4.

Capital Assets

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

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:

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 requirements.

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.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 3 – Compliance

Contrary to Ohio law, the Village made debt payments from an unallowable fund contrary to § 5705.10(I) and failed to record receipts in the proper funds as required by § 5705.10.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,900	\$39,881	\$981
Special Revenue	33,000	55,999	22,999
Capital Projects	1,250	1,250	
Enterprise	354,000	336,743	(17,257)
Total	\$427,150	\$433,873	\$6,723

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,810	\$49,051	\$13,759
Special Revenue	98,000	44,637	53,363
Capital Projects	1,250	1,250	
Enterprise	604,092	317,330	286,762
Total	\$766,152	\$412,268	\$353,884

Note 5 – Deposits

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

	2019
Demand deposits	\$541,639

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

Assets	\$15,920,504
Liabilities	(11,329,011)
Members' Equity	<u>\$4,591,493</u>

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

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System First Mortgage Revenue Bonds	\$682,000	4.5%
Ohio Public Works Commission #CP31I	33,565	0.0%
Ohio Public Works Commission #CT590	25,594	0.0%
Ford Motor Credit Company Truck Lease	46,199	6.7%
Total	<u>\$787,358</u>	

During 1995, a Sewer System First Mortgage Revenue Bond related to the construction of the Village sewer system and waste water treatment plant was issued. The original amount of the bond was \$1,050,000 and will be repaid in annual installments over 40 years. The final payment will be due May 1, 2036. The bonds are secured by an Indenture of Mortgage on the properties of the utility. The Village has set utility rates sufficient to cover the revenue bond requirements.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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, 2019 is \$41,479. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2019 is \$58,860. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met, but no monthly transfers of \$875 have been made as required by the covenant.

During 2006, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CP31I) for south side storm sewer improvement. 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.

During 2011, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CT590) 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.

During 2019, the Village entered in to a lease agreement with Ford Motor Credit Company for the purchase of a Super Duty 2019 F350 Dump Truck with a plow. The original amount of the lease was \$53,712. The lease will be repaid in semiannual installments of \$7,513 plus interest over four years with a fixed interest rate of 6.7%. Payment on the outstanding balance began in 2019 and final installment will be due April 28, 2023.

Amortization

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

Year Ending December 31:	Mortgage Revenue Bonds	OPWC Loan #CP31I	OPWC Loan #CT590	Ford Motor Credit Truck Lease
2020	\$58,690	\$4,795	\$1,138	\$15,026
2021	58,430	4,795	1,138	15,026
2022	58,125	4,795	1,138	15,026
2023	57,775	4,795	1,138	7,515
2024	58,380	4,795	1,138	
2025-2029	290,410	9,590	5,687	
2030-2034	292,150		5,687	
2035-2039	116,425		5,687	
2040-2041			2,843	
Total	\$990,385	\$33,565	\$25,594	\$52,593

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 11 – Miscellaneous Revenues

The Village has miscellaneous revenues in the General fund totaling \$5,131. These revenues consist primarily of the Wyandot East Fire District yearly rent of a building and park donations.

Note 12 – Jointly Governed Organization

The Wyandot East Fire District is a jointly governed organization. The Village of Nevada, Antrim Township, Eden Township, and Tod Township each appoint members to sit on the Fire District Board. The Fire District provides fire protection and rescue services within the District and mutual aid to areas outside the District.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Village of Nevada
Wyandot County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$16,432	\$5,053	\$21,485
Intergovernmental	16,723	43,117	59,840
Fines, Licenses and Permits	41		41
Earnings on Investments	51	86	137
Miscellaneous	9,110		9,110
<i>Total Cash Receipts</i>	<u>42,357</u>	<u>48,256</u>	<u>90,613</u>
Cash Disbursements			
Current:			
Public Health Services	2,493		2,493
Leisure Time Activities	10,920		10,920
Community Environment	710		710
Basic Utility Services	9,742		9,742
Transportation		16,706	16,706
General Government	33,012		33,012
<i>Total Cash Disbursements</i>	<u>56,877</u>	<u>16,706</u>	<u>73,583</u>
<i>Net Change in Fund Cash Balances</i>	(14,520)	31,550	17,030
<i>Fund Cash Balances, January 1 (Restated, See Note 3)</i>	<u>38,615</u>	<u>118,952</u>	<u>157,567</u>
Fund Cash Balances, December 31			
Restricted		150,502	150,502
Assigned	23,910		23,910
Unassigned	185		185
<i>Fund Cash Balances, December 31</i>	<u>\$24,095</u>	<u>\$150,502</u>	<u>\$174,597</u>

See accompanying notes to the basic financial statements

Village of Nevada
Wyandot County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$284,037
Miscellaneous	145
	<u>284,182</u>
<i>Total Operating Cash Receipts</i>	<i>284,182</i>
Operating Cash Disbursements	
Personal Services	9,592
Employee Fringe Benefits	1,622
Contractual Services	135,807
Supplies and Materials	34,076
Other	650
	<u>181,747</u>
<i>Total Operating Cash Disbursements</i>	<i>181,747</i>
<i>Operating Income</i>	<i>102,435</i>
Non-Operating Receipts (Disbursements)	
Earnings on Investments	170
Principal Retirement	(53,702)
Interest and Other Fiscal Charges	(34,857)
	<u>(88,389)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(88,389)</i>
<i>Income before Transfers</i>	<i>14,046</i>
Transfers In	85,320
Transfers Out	(85,320)
	<u>14,046</u>
<i>Net Change in Fund Cash Balances</i>	<i>14,046</i>
<i>Fund Cash Balances, January 1 (Restated, See Note 3)</i>	<i>331,391</i>
	<u>331,391</u>
<i>Fund Cash Balances, December 31</i>	<i>\$345,437</i>
	<u>\$345,437</u>

See accompanying notes to the basic financial statements

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Nevada, Wyandot County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Wyandot County Sheriff's department to provide security of persons and property. Wyandot East Fire District provides fire protection and rescue services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General fund accounts for and reports all financial resources not accounted for and reported in another fund. The General fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

Street Construction Maintenance and Repair Fund The Street Construction Maintenance and Repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Water Debt Retirement Fund The Water Debt Retirement fund accounts for the transfers from the water operating fund for the debt payments relating to the Village's Ohio Water Development Authority waterline and plant expansion loan.

Sewer Debt Retirement Fund The Sewer Debt Retirement fund accounts for the transfers from the sewer operating fund for the debt payments relating to the Village's Sewer System Revenue Mortgage Bonds.

Sewer Debt Reserve Fund The Sewer Debt Reserve fund accounts for the transfers from the sewer operating fund to comply with the debt covenants relating to the Village's Sewer System Revenue Mortgage Bonds.

Basis of Accounting

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 Board 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.

Budgetary Process

The Ohio Revised Code 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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Capital Assets

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

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:

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 requirements.

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.

Note 3 – Accountability and Compliance

Compliance

Contrary to Ohio law, the Village failed to record receipts in the proper funds as required by § 5705.10.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Accounting Change

During 2018, due to a deficiency in fund classification, the Village changed the fund classification of the Water and Sewer Debt Retirement funds from being included as part of the Debt Service funds to being reported as Enterprise funds. These adjustments had the following impact on the previously reported fund balances.

	Debt Service Funds	Enterprise Funds
Fund Cash Balances, December 31, 2017	\$ 138,936	\$ 192,455
Adjustment	<u>(138,936)</u>	<u>138,936</u>
Fund Cash Balances at January 1, 2018	<u>\$ -</u>	<u>\$ 331,391</u>

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,500	\$42,357	\$2,857
Special Revenue	14,000	48,256	34,256
Enterprise	304,700	369,672	64,972
Total	<u>\$358,200</u>	<u>\$460,285</u>	<u>\$102,085</u>

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,650	\$56,877	\$14,773
Special Revenue	107,500	16,706	90,794
Enterprise	546,165	355,626	190,539
Total	<u>\$725,315</u>	<u>\$429,209</u>	<u>\$296,106</u>

Note 5 – Deposits

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

Demand deposits	<u>2018</u> <u>\$520,034</u>
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Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 – Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$4,330,789</u>

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

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

Several Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

	Principal	Interest Rate
Sewer System First Mortgage Revenue Bonds	\$708,000	4.5%
Ohio Water Development Authority #2058	24,026	5.5%
Ohio Public Works Commission #CP31I	38,360	0.0%
Ohio Public Works Commission #CT590	26,731	0.0%
Total	\$797,117	

During 1995, a Sewer System First Mortgage Revenue Bond related to the construction of the Village sewer system and waste water treatment plant was issued. The original amount of the bond was \$1,050,000 and will be repaid in annual installments over 40 years. The final payment will be due May 1, 2036. The bonds are secured by an Indenture of Mortgage on the properties of the utility. The Village has set utility rates sufficient to cover the revenue bond requirements.

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, 2018 is \$45,455. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2018 is \$58,860. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met, but no monthly transfers of \$875 have been made as required by the covenant.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #2058) 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 \$302,866. The loan will be repaid in semiannual installments over 20 years. Payments on the outstanding balance began in 2002 and the final installment will be due July 1, 2019. The loan is collateralized by water receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has established and funded a water debt service fund, included as a debt service fund to pay the OWDA loan. The balance in this fund at December 31, 2018 is \$31,381.

During 2006, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CP31I) for south side storm sewer improvement. 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.

During 2011, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CT590) 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.

Amortization

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

Village of Nevada
Wyandot County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Year Ending December 31:	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan #CP31I	OPWC Loan #CT590
2019	\$57,860	\$24,983	\$4,795	\$1,138
2020	58,690		4,795	1,138
2021	58,430		4,795	1,138
2022	58,125		4,795	1,138
2023	57,775		4,795	1,138
2024-2028	290,465		14,385	5,687
2029-2033	292,275			5,687
2034-2038	174,625			5,687
2039-2041				3,980
Total	<u>\$1,048,245</u>	<u>\$24,983</u>	<u>\$38,360</u>	<u>\$26,731</u>

Note 11 – Miscellaneous Revenues

The Village has miscellaneous revenues in the General fund totaling \$9,110. These revenues consist primarily of the Wyandot East Fire District yearly rent of a building and park donations.

Note 12 – Jointly Governed Organization

The Wyandot East Fire District is a jointly governed organization. The Village of Nevada, Antrim Township, Eden Township, and Tod Township each appoint members to sit on the Fire District Board. The Fire District provides fire protection and rescue services within the District and mutual aid to areas outside the District.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.



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

Village of Nevada
Wyandot County
P.O. Box 430
Nevada, Ohio 44849-0430

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 cash balances, receipts, and disbursements by fund type of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated July 31, 2020, 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. We also noted the Village restated beginning fund balances to properly report an enterprise fund. Additionally, we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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 opinions 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001, 2019-004, 2019-005 and 2019-006 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 2019-001 through 2019-003, 2019-005 and 2019-006.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

July 31, 2020

VILLAGE OF NEVADA
WYANDOT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that “money paid into any fund shall be used only for the purposes for which such fund is established.”

Ohio Rev. Code § 5735.27 (A)(1) provides that gasoline excise tax amount received by each municipal corporation “shall be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation under section 4907.47 of the Revised Code; to purchase, erect, and maintain traffic lights and signals; to pay the principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for the purpose of acquiring or constructing roads, highways, bridges, or viaducts or acquiring or making other highway improvements for which the municipal corporation may issue bonds; and to supplement revenue already available for these purposes.”

Ohio Rev. Code § 4503.02 provides that “an annual license tax is hereby levied upon the operation of motor vehicles on the public roads or highways, for the purpose of enforcing and paying the expense of administering the law relative to the registration and operation of such vehicles; planning, constructing, maintaining, and repairing public roads, highways, and streets; maintaining and repairing bridges and viaducts; paying the counties' proportion of the cost and expenses of cooperating with the department of transportation in the planning, improvement, and construction of state highways; paying the counties' portion of the compensation, damages, cost, and expenses of planning, constructing, reconstructing, improving, maintaining, and repairing roads; paying the principal, interest, and charges on county bonds and other obligations issued pursuant to Chapter 133. of the Revised Code....”

The Village properly records ninety-two and one-half percent of revenues noted above in the Street Construction, Maintenance and Repair fund. However, due to deficiencies in policies and procedures over debt payments, the Village inappropriately recorded \$4,795 of Ohio Public Works Commission South Side Storm Sewer Improvement loan payments from the Street Construction, Maintenance and Repair fund in 2019. Given the source of the expenditure, these should have been paid from the Storm Sewer Debt fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

Officials' Response:

The Fiscal Officer has created a new account 5721-850-710 to pay for the OPWC payment of \$4,795.00.

FINDING NUMBER 2019-002

Noncompliance

26 CFR § 1.6041-1 provides that Form 1099-MISC be issued to independent contractors paid \$600 or more during the year. The section further provides all payments to attorneys of \$600 or more that are not

otherwise reported (e.g., on form W-2 for attorneys who are employees) must be reported on form 1099-MISC.

The Village did not issue any 1099 forms to the independent contractor (\$52,911 in 2018 and \$26,072 in 2019).

This error was the result of inadequate policies and procedures over the issuance of 1099 forms. Failure to issue Forms 1099 may result in under reported taxable income by independent contractors to the Federal government which could result in assessment of fines and penalties by the Internal Revenue Service and the Ohio Department of Taxation. The Village should establish policies and procedures to verify that payments in excess of \$600 to independent contractors and attorneys are reported on the 1099 form.

This matter will be referred to the IRS for any action they deem appropriate.

Officials' Response:

The Village will create a policy to verify any payments made over \$600 should receive a Tax Form 1099.

FINDING NUMBER 2019-003

Noncompliance

Sewer System First Mortgage Revenue Bonds Ordinance 1996-08 Section 10.B 4 provides that "out of the balance of income and revenue after the allocations required by the preceding paragraphs, have been made there shall be set aside and deposited each month in an account entitled "Sewer System Reserve Account" an amount equal to 1/120 of the Reserve Amount equal to 10% of the amount of the Revenue Bonds, after which no further deposits need be made into said account except to replace withdrawals."

Section 11 provides that "interest on any moneys or investments in each Fund or Account shall be credited to such Fund or Account" and;

Section 15.C. provides that the "Municipality shall maintain complete books and records relating to the operation of the Utility and its financial affairs and will cause books and records to be audited annually at the end of each fiscal year and an audit report prepared".

The following noncompliance was noted:

1. The Village has established a Sewer Debt Reserve fund, which has had a balance of \$58,680 for several years. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met; no monthly transfers of \$875 have been made as required above.
2. None of the Debt Service funds receive interest.
3. The Village does not have an annual audit.

This noncompliance was the result of inadequate policies and procedures in monitoring debt covenants. Failure to comply with debt covenant requirements could lead to a default on the debt. The Village should comply with its debt covenants and resume funding its reserve, post interest to these funds, and request an annual audit.

Officials' Response:

In January 2020, we started transferring \$875 monthly to the Debt Reserve fund.

FINDING NUMBER 2019-004

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- Subsequent year appropriations over estimated receipts within the General fund of \$14,925 and \$23,910 were improperly accounted for as unassigned rather than assigned fund balance as GASB Statement No. 54 requires in 2019 and 2018, respectively.
- Debt principal payments of \$31,860 and \$32,985 in the Sewer Debt Retirement fund were improperly accounted for as debt interest payments in 2019 and 2018, respectively.
- Lease payments of \$5,324 in the Street Construction Maintenance and Repair fund were improperly accounted for as contractual services in 2019 rather than principal retirement.

Errors were also noted in the notes to the financial statements, resulting in the following audit adjustments:

- Actual receipts (budgetary basis) for the Special Revenue fund type and Debt Service fund type were decreased by \$4,798 and \$26,751, respectively, and Enterprise fund type were increased by \$26,751 in 2018, in order to bring the notes to the financial statements in line with the actual receipt amounts.
- Budgeted receipt amounts for the Debt Service fund type were decreased by \$83,000 and \$56,700 and the Enterprise fund type were increased by \$83,000 and \$56,700 in 2019 and 2018, respectively, in order to bring the notes to the financial statements in line with the authorized budget amounts.
- Appropriation authority amounts in the Debt Service fund type were decreased and Enterprise fund type were increased by \$154,495 in 2019 and 2018, in order to bring the notes to the financial statements in line with authorized budget amounts.
- Budgetary expenditures in the General fund and Enterprise fund type were decreased by \$2,280 and \$24,166, respectively, in 2018 in order to bring the notes to the financial statements in line with actual budgetary expenditure amounts.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these and other errors. Failure to complete accurate financial statements could lead to Council making misinformed decisions. Additional errors were made in smaller relative amounts.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Council, to identify and correct errors and omissions. Furthermore, the Fiscal Officer should review Audit Bulletin 2014-004 for information on GASB Statement No. 54, and refer to the Village Officer's Handbook, to help ensure that all accounts are being properly posted to the financial statements.

Officials' Response:

The Fiscal Officer has created an interest line item to make sure the principal is paid out of the principal line item and the interest is paid out of the interest line item.

FINDING NUMBER 2019-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(F) requires revenue received from the sale of a permanent improvement to be paid into the sinking fund, the bond retirement fund, or a special fund for the construction or acquisition of permanent improvements. **Ohio Rev. Code § 5705.01(E)** defines "permanent improvement" or "improvement" to mean "any property, asset, or improvement with an estimated life or usefulness of five years or more, including land and interests therein, and reconstructions, enlargements, and extensions thereof having an estimated life or usefulness of five years or more."

In 2019, the Village inappropriately recorded \$1,250 from the sale of a dump truck in the General Fund as Miscellaneous revenues. Given the source of this receipt, this amount and the related budgeted receipts should have been recorded in a Permanent Improvement fund as sale of capital assets. Audit adjustments are reflected in the financial statements, notes to the financial statements, and in the accounting records correcting the misstatements.

This error occurred due to a lack of policies and procedures over reviewing sale of capital asset receipts for proper fund posting. The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

The Fiscal Office is working to correct the above error.

FINDING NUMBER 2019-006

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.09(F) provides each subdivision must establish "a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose."

Ohio Rev. Code § 5705.10(D) provides in part that "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."

Ohio Rev. Code § 4504.05(B)(2)(a) provides that "arising from motor vehicles the district of registration of which is a municipal corporation within the county that is not levying the tax authorized by section 4504.17 of the Revised Code shall be allocated fifty per cent to the county and fifty per cent to such municipal corporation in an amount equal to the amount of the tax per motor vehicle registered during the preceding month in that part of the municipal corporation located within the county. Moneys allocated to a municipal corporation under this section shall be paid directly into the treasury of the municipal corporation as provided in section 4501.042 of the Revised Code and used only for the purposes described in section 4504.06 of the Revised Code. The first distribution shall be made to a municipal corporation under this division in the second month after the county motor vehicle license tax is imposed under section 4504.15 of the Revised Code."

The Village improperly accounted for Permissive Motor Vehicle Registration receipts from the Ohio Department of Public Safety within the Street, Construction, Maintenance, and Repair and State Highway funds during 2019 in the amounts of \$4,530 and \$367, respectively, and during 2018 in the amounts of \$4,675 and \$378, respectively. Given the source of these receipts, the amounts should have been recorded within the Permissive Motor Vehicle License Tax fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting these errors.

These errors occurred due to inadequate policies and procedures over reviewing Permissive Motor Vehicle Registration receipts for proper fund posting. The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed and posted to the proper funds.

Officials' Response:

The Fiscal Officer has created a new fund just for the receipt of Permissive Motor Vehicle Registration receipts.

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Village of Nevada

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Nevada, OH 44849
Ph./Fax (740) 482-2833

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Noncompliance and material weakness over ORC § 5705.39 due to Debt Retirement fund appropriations exceeding estimated resources.	Fully corrected.	
2017-002	Finding was first reported during the audit of the 2015-2014 financial statements. Noncompliance and material weakness over ORC § 5705.10(I), due to paying sewer debt from the street construction maintenance and repair fund.	Not corrected and repeated in this report as Finding 2019-001.	These errors were the result of inadequate policies and procedures in paying sewer debt. The Fiscal Officer will ensure these are accounted for correctly in the future.
2017-003	Finding was first reported during the audit of the 2009-2008 financial statements. Noncompliance over 26 CFR § 1.6041-1 due to failure to issue forms 1099.	Not corrected and repeated in this report as Finding 2019-002.	These errors were the result of inadequate policies and procedures in issuing 1099 forms. The Fiscal Officer will ensure these are accounted for correctly in the future.
2017-004	Finding was first reported during the audit of the 2015-2014 financial statements. Noncompliance over Sewer System First Mortgage Revenue Bonds Ordinance 1996-08 Section 10.B 4, due to not following debt covenants.	Not corrected and repeated in this report as Finding 2019-003.	These errors were the result of inadequate policies and procedures in following debt covenants. The Fiscal Officer will ensure these are accounted for correctly in the future.

2017-005	Finding was first reported during the audit of the 2011-2010 financial statements. Material weakness due to errors over financial reporting.	Not corrected and repeated in this report as Finding 2019-004.	These errors were the result of inadequate policies and procedures in reviewing the financial statements and accompanying notes prior to filing the Village's annual report. The Fiscal Officer will ensure these are accounted for correctly in the future.
2017-006	Finding was first reported during the audit of the 2015-2014 financial statements. Significant deficiency due to errors in bank reconciliations.	Fully corrected.	
2017-007	Noncompliance and significant deficiency over § 5705.14, 5705.15 and 5705.16 due to inadequate policies and procedures in approving transfers.	Partially corrected and repeated in the management letter as a recommendation.	§ 5705.14, 5705.15 and 5705.16 does not apply for transfers to debt service funds. Issued as a recommendation in the management letter due to not having a material financial statement impact.
2017-008	Noncompliance and significant deficiency over § 5705.10(D) due to recording utility special assessment receipts in the General fund.	Not corrected and repeated in this report as Finding 2019-006.	These errors were the result of inadequate policies and procedures in reviewing the financial statements and accompanying notes prior to filing the Village's annual report. The Fiscal Officer will ensure all revenues are posted to the correct funds.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF NEVADA

WYANDOT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/18/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov