

VILLAGE OF NEVADA
WYANDOT COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Nevada, Wyandot County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

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Mary Taylor, CPA
Auditor of State

March 26, 2007

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Nevada
Wyandot County

We have audited the accompanying financial statements of the Village of Nevada, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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


Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Nevada, Wyandot County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2007 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The image shows a handwritten signature in cursive script that reads "Shuller & Manton".

Certified Public Accountants

January 17, 2007

**VILLAGE OF NEVADA
WYANDOT COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
Cash receipts:-					
Local taxes	\$ 33,033	\$ 0	\$ 0	\$ 0	\$ 33,033
Intergovernmental	14,838	42,521	0	0	57,359
Fines, licenses, and permits	362	0	0	0	362
Earnings on investments	619	0	0	0	619
Miscellaneous	2,691	1,920	0	0	4,611
Total cash receipts	51,543	44,441	0	0	95,984
Cash disbursements:-					
Current:-					
Security of persons and property	5,597	0	0	0	5,597
Public health services	2,074	0	0	0	2,074
Leisure time activities	2,466	0	0	0	2,466
Community environment	302	0	0	0	302
Basic utility services	290	0	0	0	290
Transportation	0	53,970	0	0	53,970
General government	24,476	0	0	0	24,476
Capital outlay	0	0	5,787	0	5,787
Debt service:					
Principal payments	0	0	0	25,664	25,664
Interest payments	0	0	0	57,645	57,645
Total cash disbursements	35,205	53,970	5,787	83,309	178,271
Total receipts over (under) cash disbursements	16,338	(9,529)	(5,787)	(83,309)	(82,287)
Other financing receipts (disbursements):-					
Sale of equipment	1,811	0	0	0	1,811
Sale of notes	0	0	5,787	0	5,787
Transfers-in	0	0	0	123,064	123,064
Transfers-out	0	0	0	0	0
Other financing sources	147	0	0	0	147
Total other financing receipts (disbursements)	1,958	0	5,787	123,064	130,809
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	18,296	(9,529)	0	39,755	48,522
Fund cash balances, January 1, 2005	67,807	69,926	0	41,176	178,909
Fund cash balances, December 31, 2005	\$ 86,103	\$ 60,397	\$ 0	\$ 80,931	\$ 227,431
Reserve for encumbrances, December 31, 2005	\$ 6,131	\$ 11,632	\$ 0	\$ 0	\$ 17,763

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 207,193
Miscellaneous	3,421
	210,615
OPERATING CASH DISBURSEMENTS:-	
Personal services	14,390
Contractual services	62,898
Supplies and materials	16,852
	94,140
Total operating cash receipts	210,615
OPERATING CASH DISBURSEMENTS:-	
Personal services	14,390
Contractual services	62,898
Supplies and materials	16,852
	94,140
Total operating cash disbursements	94,140
Operating income	116,475
NON-OPERATING CASH RECEIPTS:-	
Interest	2,716
	2,716
Total non-operating cash receipts	2,716
NON-OPERATING CASH DISBURSEMENTS:-	
Other non-operating expenses	(2,599)
	(2,599)
Total non-operating cash disbursements	(2,599)
Excess of receipts over (under) disbursements before interfund transfers	116,592
Transfers-in	0
Transfers-out	(123,064)
	(123,064)
Net receipts over (under) disbursements	(6,472)
Fund cash balances, January 1, 2005	77,728
Fund cash balances, December 31, 2005	\$ 71,256
Reserve for encumbrances, December 31, 2005	\$ 2,025

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

VILLAGE OF NEVADA
WYANDOT COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>			<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash receipts:-				
Local taxes	\$ 27,175	\$ 0	\$ 0	\$ 27,175
Intergovernmental	14,580	37,684	0	52,264
Fines, licenses, and permits	253	0	0	253
Earnings on investments	623	0	0	623
Miscellaneous	823	232	0	1,055
	<u>43,454</u>	<u>37,916</u>	<u>0</u>	<u>81,370</u>
Total cash receipts	43,454	37,916	0	81,370
Cash disbursements:-				
Current:-				
Security of persons and property	6,190	0	0	6,190
Public health services	2,075	0	0	2,075
Leisure time activities	1,816	0	0	1,816
Community environment	299	0	0	299
Basic utility services	290	0	0	290
Transportation	0	28,039	0	28,039
General government	33,908	0	0	33,908
Capital outlay	0	0	0	0
Debt service:				
Principal payments	0	0	25,056	25,056
Interest payments	0	0	58,883	58,883
	<u>44,578</u>	<u>28,039</u>	<u>83,939</u>	<u>156,556</u>
Total cash disbursements	44,578	28,039	83,939	156,556
Total receipts over (under) cash disbursements	(1,124)	9,877	(83,939)	(75,186)
Other financing receipts (disbursements):-				
Sale of notes	0	0	0	0
Transfers-in	0	0	83,939	83,939
Transfers-out	0	0	0	0
Other financing uses	0	0	0	0
	<u>0</u>	<u>0</u>	<u>83,939</u>	<u>83,939</u>
Total other financing receipts (disbursements)	0	0	83,939	83,939
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	(1,124)	9,877	0	8,753
Fund cash balances, January 1, 2004	<u>68,931</u>	<u>60,049</u>	<u>41,176</u>	<u>170,156</u>
Fund cash balances, December 31, 2004	<u>\$ 67,807</u>	<u>\$ 69,926</u>	<u>\$ 41,176</u>	<u>\$ 178,909</u>
Reserve for encumbrances, December 31, 2004	<u>\$ 12,158</u>	<u>\$ 3,060</u>	<u>\$ 0</u>	<u>\$ 15,218</u>

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

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

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 211,670
Miscellaneous	1,296
	212,966
Total operating cash receipts	212,966
OPERATING CASH DISBURSEMENTS:-	
Personal services	15,173
Contractual services	100,942
Supplies and materials	10,250
	126,365
Total operating cash disbursements	126,365
Operating income	86,601
NON-OPERATING CASH RECEIPTS:-	
Interest	3,434
	3,434
Total non-operating cash receipts	3,434
NON-OPERATING CASH DISBURSEMENTS:-	
Other non-operating expenses	(2,585)
	(2,585)
Total non-operating cash disbursements	(2,585)
Excess of receipts over (under) disbursements before interfund transfers	87,450
Transfers-in	0
Transfers-out	(83,939)
	(83,939)
Net receipts over (under) disbursements	3,511
Fund cash balances, January 1, 2004	74,217
	74,217
Fund cash balances, December 31, 2004	\$ 77,728
	77,728
Reserve for encumbrances, December 31, 2004	\$ 1,385
	1,385

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

VILLAGE OF NEVADA
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Nevada, Wyandot County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including 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.

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

- B. **Basis of Accounting** - These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

- C. **Cash and Investments** - The Village maintains two interest-bearing depository accounts. The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit at cost.

- D. **Fund Accounting** - The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Debt Service Funds

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

Water Debt Fund

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Debt Service Funds - (continued)

Sewer Debt Fund

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

Sewer Debt Reserve Fund

This fund receives set aside amounts for the outstanding sewer bond based upon the debt covenants in the agreement.

Enterprise Funds

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

Water Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

- E. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

Encumbrances

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

A summary of 2005 and 2004 budgetary activity appears in Note 3.

- F. Property, Plant and Equipment** - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF NEVADA
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ 198,687	\$ 175,587
Certificate of deposit	<u>100,000</u>	<u>81,050</u>
Total deposits	<u>\$ 298,687</u>	<u>\$ 256,637</u>

Deposits - The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

VILLAGE OF NEVADA
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 51,442	\$ 53,501	\$ 2,059
Special revenue	30,800	44,441	13,641
Capital projects	0	5,787	5,787
Debt service	121,314	123,064	1,750
Proprietary	<u>214,200</u>	<u>213,331</u>	<u>(869)</u>
Total	\$ <u>417,756</u>	\$ <u>440,124</u>	\$ <u>22,368</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 125,890	\$ 41,336	\$ 84,554
Special revenue	128,949	65,602	63,347
Capital projects	95,500	5,787	89,713
Debt service	135,615	83,309	52,306
Proprietary	<u>180,842</u>	<u>221,828</u>	<u>(40,986)</u>
Total	\$ <u>666,796</u>	\$ <u>417,862</u>	\$ <u>248,934</u>

VILLAGE OF NEVADA
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 41,949	\$ 43,454	\$ 1,505
Special Revenue	30,800	37,916	7,116
Debt Service	83,939	83,939	(0)
Proprietary	<u>214,200</u>	<u>216,400</u>	<u>2,200</u>
Total	\$ <u>370,888</u>	\$ <u>381,709</u>	\$ <u>10,821</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 103,100	\$ 56,736	\$ 46,364
Special Revenue	83,152	31,099	52,053
Debt Service	98,913	83,939	14,974
Proprietary	<u>256,579</u>	<u>214,274</u>	<u>42,305</u>
Total	\$ <u>541,744</u>	\$ <u>386,048</u>	\$ <u>155,696</u>

**VILLAGE OF NEVADA
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2005 was as follows:

	Rate	Principal Balance 12/31/2005
Ohio Water Development Authority Loan	5.50%	\$ 237,050
Mortgage Revenue Bonds	4.50%	963,000
		\$ 1,200,050

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) for a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The original amount of the loan was \$300,000. The loans will be repaid in semiannual installments of \$12,672, including interest over 20 years and has an interest rate of 5.50%. Payments on the outstanding balance began in 2000 and the final installment will be due July 1, 2019. The loan is collateralized by water and sewer receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2005, the total outstanding balance was \$237,050.

During 1995, a Sewer System First Mortgage Revenue Bond related to the construction of the Village sewer system and wastewater treatment plant was issued. The original amount of the bond was \$1,050,000 and will be repaid in annual installments over 40 years as set forth within the amortization schedule. The final payment will be due May 1, 2036. The bonds are secured by an Indenture of Mortgage on the properties of the Utility.

As required by the Mortgage Revenue 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, 2005 is \$41,806. In addition, during March of 2005, the Village established the required sewer reserve fund. The balance in the reserve fund at December 31, 2005 is \$39,125.

**VILLAGE OF NEVADA
 WYANDOT COUNTY
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004**

NOTE 5 - DEBT:- (continued)

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

<u>Year ending December 31,</u>	<u>Sewer System Bond</u>		<u>OWDA Loan</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 15,000	\$ 43,335	\$ 5,988	\$ 6,684	\$ 20,988	\$ 50,019
2007	16,000	42,660	12,636	12,708	28,636	55,368
2008	16,000	41,940	13,330	12,014	29,330	53,954
2009	17,000	41,220	14,064	11,280	31,064	52,500
2010	18,000	41,455	14,837	10,507	32,837	51,962
2011 - 2015	101,000	189,495	87,361	39,359	188,361	228,854
2016 - 2020	126,000	164,700	88,834	12,539	214,834	177,239
2021 & thereafter	654,000	268,695	0	0	654,000	268,695
	<u>\$ 963,000</u>	<u>\$ 833,500</u>	<u>\$ 237,050</u>	<u>\$ 105,091</u>	<u>\$ 1,200,050</u>	<u>\$ 938,591</u>

NOTE 6 - RETIREMENT SYSTEMS:-

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

During 2004 and 2005 a few of the Village Council members and Board of Public Affairs members elected to belong to Social Security. The Village's liability is 6.2% of wages.

NOTE 7 - RISK MANAGEMENT:-

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

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

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

VILLAGE OF NEVADA
WYANDOT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 7 - RISK MANAGEMENT:- (continued)

The Plan's financial statements are represented to conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Village Council
Village of Nevada
Wyandot County

We have audited the accompanying financial statements of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 17, 2007, wherein we noted the Village followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

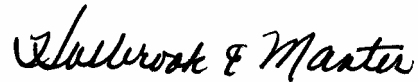
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-004. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated January 17, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under Government Auditing Standards, which are described in the accompanying Schedule of Findings as items 2005-001, 2005-002, and 2005-003. In a separate letter to the Village's management dated January 17, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intended this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.



Certified Public Accountants

January 17, 2007

**VILLAGE OF NEVADA
WYANDOT COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-001
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Noncompliance Citation – Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for several line items. This condition limits the effectiveness of the Village compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Clerk deny payment request or purchase orders exceeding appropriations until the Village Council approves an increase to appropriations through a resolution and the Clerk then prepares an amendment to the original appropriation of expenditures.

Officials' Response

The current Village Clerk has corrected many of these issues during 2006 and going into 2007, but will review current policies and procedures in place and plans to continue to improve the monitoring of this condition.

Finding Number	2005-002
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Noncompliance Citation – Amending Certificates of Estimated Resources

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Clerk that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Clerk monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials' Response

The current Village Clerk is reviewing the Village's current policies and procedures regarding the monitoring of the appropriations and estimated resources to prevent this condition from occurring in the future. The Clerk will also implement a procedure to obtain approval by submitting the amended appropriations or estimated resources with the County as required.

**VILLAGE OF NEVADA
 WYANDOT COUNTY
 SCHEDULE OF FINDINGS
 DECEMBER 31, 2005 AND 2004**

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

Finding Number	2005-003
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Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

We recommend the Village Council and Fiscal Officer periodically review the Village’s appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. The Village officials should verify that the Village has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended the Village should verify the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

Officials’ Response

The current Village Clerk is reviewing the Village’s current policies and procedures regarding the monitoring of the estimated resources to prevent this condition from occurring in the future. The Clerk will also implement a procedure to obtain approval by submitting the amended estimated resources with the County as required.

Finding Number	2005-004
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Internal Control Reportable Condition – Annual Report and Ledger Posting and Classification Errors

During our audit, we noted that for both 2005 and 2004, several posting errors existed in the financial records. Failure to accurately complete postings to the ledgers for the annual financial reporting may contribute to the financial statements being materially misstated. Several line items were not consistently classified from year to year.

We recommend proper completion and a more in depth review of the daily postings may prevent some of the errors from occurring and will allow you to verify the report is mathematically accurate and in agreement with all of the Village’s detail. Further, we suggest that the most recent *Village Officers Handbook* (available online at the Auditor of State’s website) be utilized to verify proper account codes and classification in the preparation of the annual report and day-to-day accounting activities.

Officials’ Response

The Village is currently addressing the above issue and plans to implement procedures to prevent this condition from occurring in the future.

**VILLAGE OF NEVADA
 WYANDOT COUNTY
 SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.41 (D) - Lack of proper certification by Village Clerk/Treasurer	No	Partially corrected, very few instances occurred after the new Clerk took office in early 2004. This citation will be repeated in the current year Management Letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF NEVADA

WYANDOT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2007**