



Mary Taylor, CPA  
Auditor of State



VILLAGE OF NEY  
DEFIANCE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	20

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Mary Taylor, CPA  
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 19, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Ney, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Ney, Defiance County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2009, 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.



**Mary Taylor, CPA**  
Auditor of State

August 19, 2009



**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$6,352	\$5,464		\$11,816
Intergovernmental	64,716	19,737	\$22,386	106,839
Special Assessments		5,714		5,714
Charges for Services			26,505	26,505
Fines, Licenses and Permits	45			45
Earnings on Investments	5,482	285		5,767
Miscellaneous	1,384			1,384
	77,979	31,200	48,891	158,070
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,000	10,983		14,983
Public Health Services	1,820			1,820
Leisure Time Activities	1,517			1,517
Community Environment	2,500			2,500
Basic Utility Service	2,230		7,897	10,127
Transportation	15,484	15,223		30,707
General Government	47,059	155		47,214
Debt Service:				
Redemption of Principal			23,400	23,400
Capital Outlay	12,404			12,404
	87,014	26,361	31,297	144,672
Total Cash Receipts Over/(Under) Cash Disbursements	(9,035)	4,839	17,594	13,398
<b>Other Financing Receipts:</b>				
Other Financing Sources	3,707			3,707
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,328)	4,839	17,594	17,105
Fund Cash Balances, January 1	31,790	68,027	77,735	177,552
<b>Fund Cash Balances, December 31</b>	<b>\$26,462</b>	<b>\$72,866</b>	<b>\$95,329</b>	<b>\$194,657</b>
Reserve for Encumbrances, December 31	\$194			\$194

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$59,839		\$59,839
Earnings on Investments		\$522	522
	<u>59,839</u>	<u>522</u>	<u>60,361</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	7,820		7,820
Employee Fringe Benefits	1,207		1,207
Contractual Services	12,581		12,581
Supplies and Materials	13,411		13,411
	<u>35,019</u>		<u>35,019</u>
Total Operating Cash Disbursements	<u>35,019</u>		<u>35,019</u>
Operating Income	<u>24,820</u>		<u>25,342</u>
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	8,698		8,698
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	17,381		17,381
Interest and Other Fiscal Charges	18,114		18,114
	<u>35,495</u>		<u>35,495</u>
Total Non-Operating Cash Disbursements	<u>35,495</u>		<u>35,495</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(1,977)	522	(1,455)
Fund Cash Balances, January 1	178,181	28,470	206,651
<b>Fund Cash Balances, December 31</b>	<b><u>\$176,204</u></b>	<b><u>\$28,992</u></b>	<b><u>\$205,196</u></b>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$6,932	\$6,140		\$13,072
Intergovernmental	66,414	19,172		85,586
Special Assessments		6,041		6,041
Charges for Services			\$26,895	26,895
Earnings on Investments	11,912	631		12,543
	<u>85,258</u>	<u>31,984</u>	<u>26,895</u>	<u>144,137</u>
<b>Cash Disbursements:</b>				
Current:				
Public Health Services	1,634	7,554		9,188
Leisure Time Activities	2,029			2,029
Basic Utility Service	2,636		4,736	7,372
Transportation	14,067	14,016		28,083
General Government	63,647	176		63,823
Capital Outlay	100,000			100,000
	<u>184,013</u>	<u>21,746</u>	<u>4,736</u>	<u>210,495</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(98,755)</u>	<u>10,238</u>	<u>22,159</u>	<u>(66,358)</u>
<b>Other Financing Receipts:</b>				
Other Financing Sources	726			726
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(98,029)	10,238	22,159	(65,632)
Fund Cash Balances, January 1	129,819	57,789	55,576	243,184
<b>Fund Cash Balances, December 31</b>	<b><u>\$31,790</u></b>	<b><u>\$68,027</u></b>	<b><u>\$77,735</u></b>	<b><u>\$177,552</u></b>
Reserve for Encumbrances, December 31	<u>\$4</u>			<u>\$4</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Private Purpose Trust</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$61,053		\$61,053
Earnings on Investments		\$1,325	1,325
<b>Total Operating Cash Receipts</b>	<b>61,053</b>	<b>1,325</b>	<b>62,378</b>
<b>Operating Cash Disbursements:</b>			
Personal Services	7,755		7,755
Employee Fringe Benefits	1,186		1,186
Contractual Services	11,075		11,075
Supplies and Materials	12,311	7,976	20,287
Other	75		75
<b>Total Operating Cash Disbursements</b>	<b>32,402</b>	<b>7,976</b>	<b>40,378</b>
Operating Income/(Loss)	28,651	(6,651)	22,000
<b>Non-Operating Cash Receipts:</b>			
Special Assessments	17,395		17,395
Miscellaneous Receipts	1,600		1,600
<b>Total Non-Operating Cash Receipts</b>	<b>18,995</b>		<b>18,995</b>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	4,143		4,143
Interest and Other Fiscal Charges	13,252		13,252
<b>Total Non-Operating Cash Disbursements</b>	<b>17,395</b>		<b>17,395</b>
Net Cash Receipts Over/(Under) Cash Disbursements	30,251	(6,651)	23,600
Fund Cash Balances, January 1	147,930	35,121	183,051
<b>Fund Cash Balances, December 31</b>	<b>\$178,181</b>	<b>\$28,470</b>	<b>\$206,651</b>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ney, Defiance County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including water utilities and park operations (leisure time activities). The Village has a contract with the Defiance County Sheriff's department to provide police services. The Village contracts with Washington Township to receive fire protection services.

The Village participants in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Permissive Motor Vehicle Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund - This fund receives local tax revenue for the purpose of providing fire protection services.

**3. Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Sewer System Capital Improvements Fund This fund receives proceeds of a monthly sewage rate charge assessed to water customer's monthly billings. The proceeds are being used for capital improvements and the repayment of the wastewater system loan.

**4. Enterprise Funds**

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

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

**5. Fiduciary Funds**

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

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

**E. Budgetary Process**

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process (Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$399,803	\$384,153
Cash	50	50
Total deposits	<u>\$399,853</u>	<u>\$384,203</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$88,162	\$81,686	(\$6,476)
Special Revenue	31,550	31,200	(350)
Capital Projects	30,000	48,891	18,891
Enterprise	80,000	68,537	(11,463)
Fiduciary	1,200	522	(678)
Total	\$230,912	\$230,836	(\$76)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,559	\$87,208	\$33,351
Special Revenue	76,506	26,361	50,145
Capital Projects	107,736	31,297	76,439
Enterprise	179,240	70,514	108,726
Fiduciary	29,670	29,670	-
Total	\$513,711	\$215,380	\$298,331

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,500	\$85,984	\$7,484
Special Revenue	30,975	31,984	1,009
Capital Projects	30,000	26,895	(3,105)
Enterprise	75,000	80,048	5,048
Fiduciary	500	1,325	825
Total	\$214,975	\$226,236	\$11,261

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$212,553	\$184,017	\$28,536
Special Revenue	60,645	21,746	38,899
Capital Projects	80,000	4,736	75,264
Enterprise	150,215	49,797	100,418
Fiduciary	35,000	7,976	27,024
Total	\$538,413	\$268,272	\$270,141



**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$89,000	5.00%
Ohio Water Development Authority Loan #3968	78,647	
Ohio Water Development Authority Loan #3624	227,037	5.60%
Total	\$394,684	

The Mortgage Revenue Bonds debt relates to a loan received from the United States Department of Agricultural Rural Development for the construction of a municipal waterworks system in 1974. The original bonded debt principal amount was \$293,000. Bond principal and interest payments are due annually on January 1. Repayment of the bonds will occur over thirty-eight years from 1977 through 2014. The Village has agreed to set water utility rates sufficient to cover the debt service requirements. The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2008 was \$59,985.

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

The Ohio Water Development Authority (OWDA) Loan #3968 relates to the design of a sanitary sewer collection and treatment system in the Village. The original loan amount authorized from OWDA to the Village for this project was \$117,000. As of December 31, 2008, the Village had received loan proceeds of \$113,747. The Village will repay the loans in semiannual installments of \$11,700, over 5 years. The Village approved a monthly charge to each water user in the Village beginning in January 1, 2004 as the dedicated source or repayment for this loan.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Mortgage	OWDA Loan	OWDA Loan
	Revenue Bonds	#3624	#3968
2009	\$17,450	\$17,395	\$23,400
2010	17,800	17,395	23,400
2011	17,100	17,395	23,400
2012	17,400	17,395	8,447
2013	35,500	17,396	
2014-2018		86,976	
2019-2023		86,976	
2024-2028		86,976	
2029-2032		69,580	
Total	<u>\$105,250</u>	<u>\$417,484</u>	<u>\$78,647</u>

**6. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85% respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**7. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

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

**8. Related Party Transactions**

Jerry Bergman, Clerk-Treasurer, is part owner of Ney Oil Company located within the Village. In addition, Tom Vance, Mayor, is employed by this company. The Village acquired fuel and oil products from the company that amounted to \$6,385 and \$4,505 during 2008 and 2007 respectively.

**9. Subsequent Events**

The Village was approved to receive \$582,700 for a Community Development Block Grant for their sanitary sewer system project in 2009. On August 12, 2009 the Village awarded a contract for the construction of sewer lines to Underground Utilities for \$2,166,139 and awarded a contract to Bruns Building and Development Corporation for \$659,900 for the construction of a wastewater lagoon.

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# Mary Taylor, CPA

## Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Ney, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 19, 2009 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Villages internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 19, 2009.

#### **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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the Village's management in a separate letter dated August 19, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

August 19, 2009

VILLAGE OF NEY  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Material Weakness**

**Monitoring Financial Statements**

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

The 2008 and 2007 financial statements contained material errors, such as the following:

- Debt interest payments of \$9,108 were classified as principal payments in the Water Fund in 2007.
- A Mortgage Revenue Bond debt payment of \$18,100 was posted to the Water Fund in 2007, but the payment was not actually made until 2008.

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

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

**Officials' Response**

We did not receive a response from Officials to this finding.

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Material Weakness for lack of financial statement monitoring	No	Not Corrected, repeated as finding 2008-001 in this report
2006-002	Significant Deficiency for lack of monitoring of invoices and purchase orders.	No	Partially Corrected, repeated in the management letter.
2006-003	Significant Deficiency for lack of accounting controls	No	Partially Corrected, repeated with finding 2008-001 in this report.





Mary Taylor, CPA  
Auditor of State

VILLAGE OF NEY  
DEFIANCE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 24, 2009