



Dave Yost • Auditor of State

VILLAGE OF NEY
DEFIANCE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ney, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ney, Defiance County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Village of Ney adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2013

**VILLAGE OF NEY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$6,213	\$6,809		\$13,022
Intergovernmental	53,367	22,128	\$141,483	216,978
Special Assessments		4,880		4,880
Earnings on Investments	221	21		242
Reimbursements	4,638			4,638
Miscellaneous	2,914			2,914
<i>Total Cash Receipts</i>	<u>67,353</u>	<u>33,838</u>	<u>141,483</u>	<u>242,674</u>
Cash Disbursements				
Current:				
Security of Persons and Property	9,440	10,095		19,535
Leisure Time Activities	895			895
Basic Utility Services	1,824			1,824
Transportation	21,735	20,233		41,968
General Government	55,205	217		55,422
Capital Outlay			133,907	133,907
Debt Service:				
Principal Retirement			139,633	139,633
Interest and Fiscal Charges				
<i>Total Cash Disbursements</i>	<u>89,099</u>	<u>30,545</u>	<u>273,540</u>	<u>393,184</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,746)</u>	<u>3,293</u>	<u>(132,057)</u>	<u>(150,510)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			139,633	139,633
Transfers Out			(128,134)	(128,134)
Other Financing Sources	1,008			1,008
Other Financing Uses	(6,585)			(6,585)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,577)</u>		<u>11,499</u>	<u>5,922</u>
<i>Net Change in Fund Cash Balances</i>	<u>(27,323)</u>	<u>3,293</u>	<u>(120,558)</u>	<u>(144,588)</u>
<i>Fund Cash Balances, January 1</i>	<u>85,137</u>	<u>83,719</u>	<u>\$120,558</u>	<u>289,414</u>
Fund Cash Balances, December 31				
Restricted		87,012		87,012
Unassigned	57,814			57,814
<i>Fund Cash Balances, December 31</i>	<u>\$57,814</u>	<u>\$87,012</u>	<u>\$144,826</u>	<u>\$144,826</u>

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

**VILLAGE OF NEY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
Operating Cash Receipts				
Charges for Services	\$116,457			\$116,457
Special Assessments	17,395			17,395
Earnings on Investments			\$9	9
<i>Total Operating Cash Receipts</i>	<u>133,852</u>		<u>9</u>	<u>133,861</u>
Operating Cash Disbursements				
Personal Services	12,251			12,251
Employee Fringe Benefits	1,875			1,875
Contractual Services	37,513			37,513
Supplies and Materials	13,942			13,942
<i>Total Operating Cash Disbursements</i>	<u>65,581</u>			<u>65,581</u>
<i>Operating Income</i>	<u>68,271</u>		<u>9</u>	<u>68,280</u>
Non-Operating Receipts (Disbursements)				
Donations		\$7,380		7,380
Principal Retirement	(18,117)			(18,117)
Interest and Other Fiscal Charges	(11,920)			(11,920)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(30,037)</u>	<u>7,380</u>		<u>(22,657)</u>
<i>Income before Transfers</i>	38,234	7,380	9	45,623
Transfers In	128,134			128,134
<i>Net Change in Fund Cash Balances</i>	166,368	7,380	9	173,757
<i>Fund Cash Balances, January 1</i>	<u>179,223</u>		<u>24,081</u>	<u>203,304</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$345,591</u></u>	<u><u>\$7,380</u></u>	<u><u>\$24,090</u></u>	<u><u>\$377,061</u></u>

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

**VILLAGE OF NEY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$6,472	\$7,098		\$13,570
Intergovernmental	56,397	17,946	\$142,073	216,416
Special Assessments		4,083		4,083
Earnings on Investments	226	5		231
Miscellaneous	1,726			1,726
<i>Total Cash Receipts</i>	<u>64,821</u>	<u>29,132</u>	<u>142,073</u>	<u>236,026</u>
Cash Disbursements				
Current:				
Security of Persons and Property	4,960	10,432		15,392
Public Health Services	2,204			2,204
Leisure Time Activities	927			927
Basic Utility Services	2,854			2,854
Transportation	24,465	10,833		35,298
General Government	59,688	167		59,855
Capital Outlay			179,255	179,255
Debt Service:				
Principal Retirement			137,073	137,073
<i>Total Cash Disbursements</i>	<u>95,098</u>	<u>21,432</u>	<u>316,328</u>	<u>432,858</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,277)</u>	<u>7,700</u>	<u>(174,255)</u>	<u>(196,832)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			137,073	137,073
Transfers Out			(10,000)	(10,000)
Other Financing Sources	1,079			1,079
Other Financing Uses	(4,500)			(4,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,421)</u>		<u>127,073</u>	<u>123,652</u>
<i>Net Change in Fund Cash Balances</i>	<u>(33,698)</u>	<u>7,700</u>	<u>(47,182)</u>	<u>(73,180)</u>
<i>Fund Cash Balances, January 1</i>	<u>118,835</u>	<u>76,019</u>	<u>167,740</u>	<u>362,594</u>
Fund Cash Balances, December 31				
Restricted		83,719	120,558	204,277
Unassigned	85,137			85,137
<i>Fund Cash Balances, December 31</i>	<u>\$85,137</u>	<u>\$83,719</u>	<u>\$120,558</u>	<u>\$289,414</u>

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

**VILLAGE OF NEY
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Private Purpose Trust	
Operating Cash Receipts			
Charges for Services	\$117,976		\$117,976
Special Assessments	26,093		26,093
Earnings on Investments		\$17	17
<i>Total Operating Cash Receipts</i>	<u>144,069</u>	<u>17</u>	<u>144,086</u>
Operating Cash Disbursements			
Personal Services	20,685		20,685
Employee Fringe Benefits	3,196		3,196
Contractual Services	31,168		31,168
Supplies and Materials	14,507		14,507
Other	180		180
<i>Total Operating Cash Disbursements</i>	<u>69,736</u>		<u>69,736</u>
<i>Operating Income</i>	<u>74,333</u>	<u>17</u>	<u>74,350</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	40		40
Principal Retirement	(79,820)		(79,820)
Interest and Other Fiscal Charges	(15,442)		(15,442)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(95,222)</u>		<u>(95,222)</u>
<i>Income (Loss) before Transfers</i>	<u>(20,889)</u>	<u>17</u>	<u>(20,872)</u>
Transfers In	<u>10,000</u>		<u>10,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,889)</u>	<u>17</u>	<u>(10,872)</u>
<i>Fund Cash Balances, January 1</i>	<u>190,112</u>	<u>24,064</u>	<u>214,176</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$179,223</u></u>	<u><u>\$24,081</u></u>	<u><u>\$203,304</u></u>

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

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ney, Defiance County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations. The Village contracts with the Defiance County Sheriff's department to provide security of persons and property. The Village contracts with Washington Township to receive fire protection services.

The Village participates in the Ohio Plan public entity risk pool. Note 8 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

3. Capital Project Funds

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

Sewer System Capital Improvement Fund – This fund receives grant revenues. The proceeds are being used for capital improvements.

4. Enterprise Funds

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

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

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

5. Fiduciary Funds

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Memorial Park.

VILLAGE OF NEY
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

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 canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

VILLAGE OF NEY
DEFIANCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

2. **Change in Accounting Principle**

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 did not have an effect on fund balances previously reported.

3. **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:

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits (Continued)

	2012	2011
Demand deposits	\$76,959	\$248,024
Other time deposits	444,878	244,644
Petty Cash	50	50
Total deposits	\$521,887	\$492,718

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,300	\$68,361	\$11,061
Special Revenue	30,650	33,838	3,188
Capital Projects	175,000	281,116	106,116
Enterprise	190,000	261,986	71,986
Fiduciary	50	9	(41)
Total	\$453,000	\$645,310	\$192,310

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,990	\$95,684	\$46,306
Special Revenue	95,362	30,545	64,817
Capital Projects	295,558	401,674	(106,116)
Enterprise	253,557	95,618	157,939
Fiduciary	24,131		24,131
Total	\$810,598	\$623,521	\$187,077

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,967	\$65,900	(\$7,067)
Special Revenue	31,965	29,132	(2,833)
Capital Projects		279,146	279,146
Enterprise	135,000	154,109	19,109
Fiduciary	50	17	(33)
Total	\$239,982	\$528,304	\$288,322

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,025	\$99,598	\$91,427
Special Revenue	86,970	21,432	65,538
Capital Projects	175,250	326,328	(151,078)
Enterprise	256,320	164,998	91,322
Fiduciary	24,114		24,114
Total	\$733,679	\$612,356	\$121,323

5. 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.

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3624	\$206,854	5.60%
Ohio Water Development Authority Loan #5272	147,484	0.00%
Total	\$354,338	

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 #5272 relates to the construction of a sanitary sewer collection and treatment system in the Village. As of December 31, 2012 the Village had received loan proceeds of \$449,474. The Village will repay the loan in semi-annual installments on January 1 and August 1. The Village approved a monthly charge to each water user in the Village as the dedicated source or repayment for this loan. No final amortization schedule is available as of the report date.

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

	OWDA Loan #3624
Year ending December 31:	
2013	\$17,396
2014	17,396
2015	17,396
2016	17,396
2017	17,396
2018-2022	86,976
2023-2027	86,976
2028-2032	86,976
Total	\$347,908

7. 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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF NEY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	2012	2011
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

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

9. Related Party Transactions

The Village Clerk-Treasurer, Jerry Bergman, is part owner of Ney Oil Company (the Company) located within the Village. In addition, Tom Vance, Mayor, is employed by the Company. The Village acquired fuel and oil products from the Company which amount to \$7,877 and \$8,571 during 2012 and 2011, respectively.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Ney, Defiance County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 12, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, and wherein the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

August 12, 2013

VILLAGE OF NEY
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

Material Weakness

Monitoring of 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 errors or fraud could occur and not be detected in a timely period.

The 2012 and 2011 financial statements contained material errors, such as the following:

- In 2012 and 2011, Sewer Construction Fund expenditures of \$132,057 and \$70,618, respectively, were incorrectly classified as Basic Utility Services rather than Capital Outlay.
- Ohio Water Department Authority (OWDA) monies spent on behalf of the Village in 2012 for \$139,633 were not recorded, while in 2011 on behalf of monies were not recorded properly for \$137,073.
- Debt proceeds spent on behalf of the Village to payoff principal was not recorded in 2012 and 2011, for \$139,633 and \$108,637, respectively.

Adjusting entries ranging from \$46 to \$139,633 were posted to the financial statements to correct these and other errors.

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 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.

FINDING NUMBER 2012-002

Material Weakness

Posting of Estimated Receipts

Estimated receipts should be posted in the Village's accounting system and used by management to monitor financial operations. Estimated receipts posted in the Village's accounting system differed from approved amounts established in the amended certificate of estimated resources obtained from the County Auditor in both 2012 and 2011 in the following funds:

For the year ended December 31, 2012:

Fund	Approved Estimated Revenue	Posted Estimated Revenue	Difference
General Fund	\$57,300	\$56,864	\$(436)
Permissive Tax Fund - County Engineer		4,432	4,432
Sewer System Project Capital Improvement Fund	175,000	484,290	309,290

For the year ended December 31, 2011:

Fund	Approved Estimated Revenue	Posted Estimated Revenue	Difference
General Fund	\$72,967	\$72,220	\$(747)
Street Construction Maintenance & Repair	15,600	15,273	(327)
Water Operating	75,000	74,755	(245)
Sewer Operating	60,000	70,000	10,000

The budgetary activity in the accompanying notes to the financial statements was adjusted to reflect these amounts.

Failure to ensure all approved budgeted amounts are adopted into the accounting system could make it difficult for management to make informed decisions regarding whether the Village's actual receipts are sufficient to support appropriated disbursements.

FINDING NUMBER 2012-003

Material Weakness

Reporting and Budgeting Ohio Water Development Authority

Sound accounting practices require money spent on behalf of the Village by other governments be posted to the Village's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the Village to approve a formal appropriation for these monies, however, this section does require the Village to record the appropriation.

The Village of Ney was the beneficiary of \$245,710 in 2011 and \$271,690 in 2012 of Ohio Water Development Authority money paid directly to the vendor by the Ohio Water Development Authority (OWDA). This activity and the corresponding appropriations were not recorded on the ledgers of the Village. Since OWDA paid the invoices, the Village did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the County applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amount in the Sewer System Project Capital Improvement Fund.

We recommend the Village record all benefits received from state or federal grants as a memo receipt and expenditure on the Village's records, request an amended certificate of estimated resources for these funds and the Council approve a corresponding appropriation for the expenditure. In addition, Village management should review Auditor of State Bulletin 2000-08.

Officials' Response:

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

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**VILLAGE OF NEY
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Recommendation to review utility rates to eliminate future deficits.	Yes	
2010-002	Recommendation to monitor financial statements.	No	Not Corrected. Repeated as Finding 2012-001 in this report.

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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
AUGUST 29, 2013