



Dave Yost • Auditor of State



VILLAGE OF NEVADA  
WYANDOT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Nevada, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Nevada, Wyandot County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, 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

April 18, 2017

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$13,975			\$13,975
Intergovernmental	13,209	\$49,468		62,677
Fines, Licenses and Permits	693			693
Earnings on Investments	9			9
Miscellaneous	2,046			2,046
<i>Total Cash Receipts</i>	<u>29,932</u>	<u>49,468</u>		<u>79,400</u>
<b>Cash Disbursements</b>				
Current:				
Public Health Services	2,518			2,518
Leisure Time Activities	1,642			1,642
Community Environment	428			428
Basic Utility Services	370			370
Transportation		32,239		32,239
General Government	19,596			19,596
Debt Service:				
Principal Retirement			\$31,696	31,696
Interest and Fiscal Charges			39,066	39,066
<i>Total Cash Disbursements</i>	<u>24,554</u>	<u>32,239</u>	<u>70,762</u>	<u>127,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>5,378</u>	<u>17,229</u>	<u>(70,762)</u>	<u>(48,155)</u>
<b>Other Financing Receipts</b>				
Transfers In			85,320	85,320
<i>Net Change in Fund Cash Balances</i>	5,378	17,229	14,558	37,165
<i>Fund Cash Balances, January 1</i>	<u>26,051</u>	<u>64,460</u>	<u>118,464</u>	<u>208,975</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		81,689	133,022	214,711
Assigned	31,429			31,429
<i>Fund Cash Balances, December 31</i>	<u>\$31,429</u>	<u>\$81,689</u>	<u>\$133,022</u>	<u>\$246,140</u>

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

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$265,560
Miscellaneous	43
	<hr/>
<i>Total Operating Cash Receipts</i>	265,603
	<hr/>
<b>Operating Cash Disbursements</b>	
Personal Services	9,496
Contractual Services	108,676
Supplies and Materials	13,113
	<hr/>
<i>Total Operating Cash Disbursements</i>	131,285
	<hr/>
<i>Operating Income</i>	134,318
	<hr/>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	1,325
Principal Retirement	(5,933)
Other Financing Uses	(2,030)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(6,638)
	<hr/>
<i>Income before Transfers</i>	127,680
	<hr/>
Transfers Out	(85,320)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	42,360
	<hr/>
<i>Fund Cash Balances, January 1</i>	144,133
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$186,493</u>

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



**VILLAGE OF NEVADA  
WYANDOT COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$15,018			\$15,018
Intergovernmental	10,739	\$49,763		60,502
Fines, Licenses and Permits	725			725
Miscellaneous	2,701	2		2,703
<i>Total Cash Receipts</i>	<u>29,183</u>	<u>49,765</u>		<u>78,948</u>
<b>Cash Disbursements</b>				
Current:				
Public Health Services	2,720			2,720
Leisure Time Activities	2,283			2,283
Community Environment	984			984
Basic Utility Services	390			390
Transportation		42,925		42,925
General Government	35,883			35,883
Capital Outlay		34,747		34,747
Debt Service:				
Principal Retirement			\$39,936	39,936
Interest and Fiscal Charges			43,492	43,492
<i>Total Cash Disbursements</i>	<u>42,260</u>	<u>77,672</u>	<u>83,428</u>	<u>203,360</u>
<i>Excess of Disbursements over Receipts</i>	<u>(13,077)</u>	<u>(27,907)</u>	<u>(83,428)</u>	<u>(124,412)</u>
<b>Other Financing Receipts</b>				
Transfers In			85,320	85,320
<i>Net Change in Fund Cash Balances</i>	<u>(13,077)</u>	<u>(27,907)</u>	<u>1,892</u>	<u>(39,092)</u>
<i>Fund Cash Balances, January 1</i>	<u>39,128</u>	<u>92,367</u>	<u>116,572</u>	<u>248,067</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		64,460	118,464	182,924
Assigned	26,051			26,051
<i>Fund Cash Balances, December 31</i>	<u>\$26,051</u>	<u>\$64,460</u>	<u>\$118,464</u>	<u>\$208,975</u>

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

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

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

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$268,671
Miscellaneous	145
	<hr/>
<i>Total Operating Cash Receipts</i>	268,816
	<hr/>
<b>Operating Cash Disbursements</b>	
Personal Services	12,985
Contractual Services	147,941
Supplies and Materials	14,306
	<hr/>
<i>Total Operating Cash Disbursements</i>	175,232
	<hr/>
<i>Operating Income</i>	93,584
	<hr/>
<b>Non-Operating Receipts (Disbursements)</b>	
Miscellaneous Receipts	2,125
Principal Retirement	(5,934)
Other Disbursements	(1,648)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(5,457)
	<hr/>
<i>Income before Transfers</i>	88,127
	<hr/>
Transfers Out	(85,320)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	2,807
	<hr/>
<i>Fund Cash Balances, January 1</i>	141,326
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u><u>\$144,133</u></u>

*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, 2015 AND 2014**

**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 Nevada, Wyandot 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. Wyandot East Fire District provides fire protection services. Wyandot County Sheriff's Department provides security of persons and property to the Village.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is Ohio Plan Risk Management, Inc. (OPRM), which provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 Fund:

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

VILLAGE OF NEVADA  
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

Water Debt Retirement Fund – This fund receives transfers from the water operating fund for the debt payments relating to the Ohio Water Development Authority loan.

Sewer Debt Retirement Fund – This fund receives transfers from the sewer operating fund for the debt payments relating to the Revenue Mortgage Bonds.

**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 Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**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 2015 and 2014 budgetary activity appears in Note 3.

**E. Fund Balance**

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

VILLAGE OF NEVADA  
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**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:

**VILLGE OF NEVADA  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

	2015	2014
Demand deposits	\$432,633	\$353,108

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,010	\$29,932	\$3,922
Special Revenue	43,000	49,468	6,468
Debt Service	34,000	85,320	51,320
Enterprise	226,000	266,928	40,928
Total	\$329,010	\$431,648	\$102,638

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,000	\$24,554	\$29,446
Special Revenue	99,000	32,239	66,761
Debt Service	151,630	70,762	80,868
Enterprise	374,700	224,568	150,132
Total	\$679,330	\$352,123	\$327,207

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,010	\$29,183	(\$8,827)
Special Revenue	47,900	49,765	1,865
Debt Service	29,000	85,320	56,320
Enterprise	200,000	270,941	70,941
Total	\$314,910	\$435,209	\$120,299

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$81,000	\$42,260	\$38,740
Special Revenue	135,000	77,672	57,328
Debt Service	144,985	83,428	61,557
Enterprise	337,000	268,134	68,866
Total	\$697,985	\$471,494	\$226,491

**VILLGE OF NEVADA  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(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.

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, 2015 was as follows:

	Principal	Interest Rate
Sewer System First Mortgage Revenue Bonds	\$780,000	4.5%
Ohio Water Development Authority #2058	88,836	5.5%
Ohio Public Works Commission #CP311	50,348	0.0%
Ohio Public Works Commission #CT590	29,575	0.0%
Total	\$948,759	

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

As required by the Sewer System Bond covenant, the Village has established and funded a sewer debt service fund, included as a debt service fund. The balance in the fund at December 31, 2015 is \$48,360. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2015 is \$58,860. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met, but no monthly transfers of \$875 have been made as required by the covenant.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #2058) for a water line project and plant expansion update that was mandated by the Ohio Environmental Protection Agency. The original amount of the loan was \$302,866. The loan will be repaid in semiannual installments over 20 years. Payments on the outstanding balance began in 2002 and the final installment will be due July 1, 2019. The loan is collateralized by water receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has established and funded a water debt service fund, included as a debt service fund to pay the OWDA loan. The balance in this fund at December 31, 2015 is \$25,802.

During 2006, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CP311) for south side storm sewer improvement. The original amount of the loan was \$95,900. The loan will be repaid in semiannual installments of \$2,398 over 20 years. Payments on the outstanding balance began in 2007 and final installment will be due January 1, 2027.

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

During 2011, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CT590) for the replacement of a waterline. The original amount of the loan was \$34,125. The loan will be repaid in semiannual installments of \$569 over 30 years. Payments on the outstanding balance began in 2012 and final installment will be due January 1, 2042.

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan #CP311	OPWC Loan #CT590
2016	\$58,100	\$36,170	\$4,795	\$1,138
2017	58,065	24,480	4,795	1,137
2018	57,985	24,812	4,795	1,138
2019	57,860	12,492	4,795	1,137
2020	58,690		4,795	1,138
2021-2025	290,605		23,975	5,687
2026-2030	290,995		2,398	5,688
2031-2035	291,575			5,687
2036-2040	58,520			5,688
2041-2045				1,137
Total	<u>\$1,222,395</u>	<u>\$97,954</u>	<u>\$50,348</u>	<u>\$29,575</u>

**6. RETIREMENT SYSTEMS**

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 2015 and 2014, 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, 2015.

Village's Mayor, Zoning Inspector and some Council Members contributed to social Security. Employees contributed 6.2 percent of their gross salaries and the Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has not paid all contributions required through December 31, 2015. Payments were made on March 1, 2016 with penalties and interest paid through May 2016 totaling \$542.59.

**7. RISK MANAGEMENT**

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

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.



VILLAGE OF NEVADA  
WYANDOT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

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

**8. MISCELLANEOUS REVENUES**

The Village had miscellaneous revenues in the General fund totaling \$2,046 and \$2,701 for 2015 and 2014 respectively. These revenues consist primarily of the Wyandot East Fire District yearly rent and park donations.

**9. NONCOMPLIANCE**

The Village failed to submit federal withholdings timely as required by 26 U.S.C. § 3402.

The Village failed to complete and issue 1099's as required by 26 CFR § 1.6041-1.

The Village paid debt charges from a current expense levy, contrary to Ohio Rev. Code § 5705.05.

The Village paid sewer related debt from the Street, Construction, Maintenance, and Repair fund contrary to Ohio Rev. Code § 5705.10(I).

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# 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 Nevada  
Wyandot County  
100 Grant Street  
P.O. Box 430  
Nevada, Ohio 44849-0430

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Nevada, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated April 18, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

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. We consider findings 2015-001, 2015-005 and 2015-006 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2015-002 and 2015-008 described in the accompanying schedule of findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-003 through 2015-007.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 18, 2017

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness**

**Financial Reporting**

The Village's management is responsible for the fair presentation of the financial statements. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. Errors were noted in the financial statements, resulting in several audit adjustments such as the following:

- Prior year audit adjustments were not posted to the Village's accounting records. These were to decrease the General fund balance by \$4,795 and increase the Street Construction, Maintenance and Improvement fund, due to 2009 adjustment and increase General Fund balance and decrease the Water Enterprise fund balance by \$569 due to debt payment improperly accounted for in the General fund and not the Water Enterprise fund;
- Subsequent year appropriations over estimated receipts within the General fund were improperly accounted for as fund balance rather than assigned in 2015 - \$31,429 and 2014 - \$26,051;
- Special Revenue fund balances were improperly classified as fund balance rather than classified as restricted in 2015 - \$81,689 and 2014 - \$64,460;
- Debt fund balances were improperly classified as fund balance rather than classified as restricted in 2015 - \$133,022 and 2014 - \$118,464;
- Property tax homestead and rollback receipts within the General fund were improperly accounted for as property tax revenue instead of intergovernmental revenue in 2015 - \$2,932 and 2014 - \$2,928; and
- Sewer Debt Retirement fund interest payments were improperly accounted for as principal payments for \$36,090 in 2015 and \$37,035 in 2014.

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

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

**Officials' Response:**

We are currently working on correcting the above items.

**FINDING NUMBER 2015-002**

**Significant Deficiency**

**Bank Reconciliations**

Bank reconciliations should be performed monthly and reviewed and approved by someone other than the preparer. The Fiscal Officer attempted to reconcile the bank accounts each month but did not investigate and correct variances between the bank balance and the book balance in 2015 and 2014. In addition, Council did not review and approve the bank reconciliations. We noted the following errors at December 31, 2015 and 2014:

	<b>Original</b>	<b>Corrected</b>	
<b>Reconciliation as of December 31, 2015:</b>	<b>Reconciliation</b>	<b>Reconciliation</b>	<b>Variance</b>
Outstanding checks	\$ (1,939.81)	\$ (2,099.19)	\$ (159.38)
Undetermined, not found	118.35	-	(118.35)
Checks understated on books	-	200.00	200.00
Checks overstated on books	-	(425.33)	(425.33)
OPERS payment cleared bank not posted	-	280.48	280.48
Receipts overstated on books	-	224.50	224.50
Interest earned and not posted	-	(32.20)	(32.20)
Various errors	-	(13.13)	(13.13)
	<u>\$ (1,821.46)</u>	<u>\$ (1,864.87)</u>	<u>\$ (43.41)</u>

	<b>Original</b>	<b>Corrected</b>	
<b>Reconciliation as of December 31, 2014:</b>	<b>Reconciliation</b>	<b>Reconciliation</b>	<b>Variance</b>
Outstanding checks	\$ (1,799.26)	\$ (1,799.26)	\$ -
Undetermined, not found	703.93	-	(703.93)
Checks understated on books	-	200.00	200.00
OPERS payment cleared bank not posted	-	280.48	280.48
Receipts overstated on books	-	222.30	222.30
Various errors	-	(10.04)	(10.04)
	<u>\$ (1,095.33)</u>	<u>\$ (1,106.52)</u>	<u>\$ (11.19)</u>

These errors were a result of inadequate policies and procedures in reviewing the bank reconciliations. The accompanying financial statements and accounting records have been adjusted to correct these errors.

We recommend the Village prepare accurate reconciliations and include supporting documentation for the reconciling items to ensure the reviewer has an accurate understanding of those items. We further recommend the Fiscal Officer provide Council with the monthly bank reconciliations for their review and approval. In addition, there should be documentation of Council's approvals.

**Officials' Response:**

We are currently working on correcting the above items.

### FINDING NUMBER 2015-003

#### Noncompliance

**26 U.S.C. § 3402** provides, in part, that every employer making payments of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

IRS Publication 15 Circular E, Employer's Tax Guide, provides that all employers who pay wages subject to income tax, social security, and Medicare tax must file Form 941, Employer's Quarterly Federal Tax return, unless the employer is required to file Form 944. Form 941 must be filed by the last day of the month that follows the end of the quarter.

Federal taxes, including Medicare and Social Security were withheld from employee's paychecks, but were not remitted timely to the IRS using Form 941 at the end of each quarter.

The Village paid its Federal taxes for 2012 and 2013 during 2014. The Village also paid the first quarter of 2014 on June 5, 2014 and the third quarter of 2014 on October 31, 2014. The 2015 taxes were not paid until 2016. As a result of these late payments, the Village paid \$1,406 in penalties and interest.

Inaccurate and untimely remittances were caused by poor accounting over payroll records and forms. We recommend the Village properly remit the total amount due by the date due for each quarter to the IRS.

Per Account Transcripts from the IRS obtained in January 2017, withholdings per the Village's payroll sheets and the recalculation of employer's share; the Village has now paid the 2015 and 2014 taxes. Therefore, this matter will not be referred to the IRS.

#### Officials' Response:

We are paid up to date and will continue to make quarterly payments on time.

### FINDING NUMBER 2015-004

#### Noncompliance

**26 CFR § 1.6041-1** provides that Forms 1099-MISC are to be issued to independent contractors paid \$600 or more during the year. The section further provides all payments to attorneys of \$600 or more that are not otherwise reported (e.g., on form W-2 for attorneys who are employees) must be reported on form 1099-MISC.

The Village did not issue any 1099 forms to the independent contractor (\$57,843 in 2015 and \$70,377 in 2014) or its legal counsel for his or her services during 2014 of \$2,985.

The Village should establish policies and procedures to verify that payments in excess of \$600 to independent contractors and attorneys are reported on the 1099 form.

Failure to issue Forms 1099 may result in underreported taxable income by independent contractors to the Federal government which could result in assessment of fines and penalties by the Internal Revenue Service and the Ohio Department of Taxation. This matter will be referred to the IRS for any action they deem appropriate.

#### Officials' Response:

We are currently working on correcting the above.

#### FINDING NUMBER 2015-005

##### Noncompliance and Material Weakness

**Ohio Rev. Code § 5705.05** provides that the purpose and intent of the general levy for current expenses is to provide one general operating fund derived from taxation from which any expenditures for current expenses of any kind may be made. The taxing authority of a political subdivision may include in such levy the amounts required for carrying into effect any of the general or special powers granted by law to such subdivision, including the acquisition or construction of permanent improvements and the payment of judgments, but excluding the payment of debt charges. The power to include in the general levy for current expenses additional amounts for purposes for which a special tax is authorized shall not affect the right or obligation to levy such special tax.

**1981 Ohio Att’y Gen. Op. No. 81-035** provides that certain moneys paid into the general fund which are not derived from a general levy for current expenses are placed in the general fund precisely because their use is not restricted. Such monies may be used to pay debt charges provided that they have not been commingled with general fund monies which may not be used for debt payment. Where otherwise unrestricted monies have been paid into the general fund and have been commingled with restricted monies to the extent that the particular source from which the monies originated cannot be distinguished, such monies may be used to pay debt charges only after they have been transferred to an appropriate fund [pursuant to Ohio Rev. Code § 5705.14].

The Village’s general levy is restricted for current expenses and is commingled with unrestricted monies. The Village paid half of the OPWC South Side Storm Sewer Improvement loan from the General Fund in 2014 in the amount of \$2,398.

This error was a result of inadequate policies and procedures in monitoring financial statement information. The financial statement and accounting records have been adjusted to correct this error. Using inaccurate information could lead Council to make misinformed decisions. We recommend the Fiscal Officer pay the OPWC South Side Storm Sewer Improvement loan from the Sanitary Sewer fund or transfer out of general fund to a separate allowable fund to pay debt.

##### Officials’ Response:

We will make the payments from the Sanitary Sewer fund going forward.

#### FINDING NUMBER 2015-006

##### Noncompliance and Material Weakness

**Ohio Rev. Code § 5705.10(I)** provides that money paid into any fund shall be used only for the purposes for which such fund was established.

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



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

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

During 2015 and 2014, the Village paid the OPWC South Side Storm Sewer Improvement loan from the Street Construction, Maintenance and Repair Fund in the amount of \$4,795 and \$2,398, respectively, which is not a purpose of the fund as defined above.

These errors were a result of inadequate policies and procedures in monitoring financial statement information. The financial statement and accounting records have been adjusted to correct these errors. We recommend the Fiscal Officer pay the OPWC South Side Storm Sewer Improvement loan from the Sanitary Sewer fund.

**Officials' Response:**

We will make the payments from the Sanitary Sewer fund going forward.

**FINDING NUMBER 2015-007**

**Noncompliance**

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

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

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

We noted the following noncompliance:

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

3. The Village does not have an annual audit.

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

**Officials' Response:**

We are currently working on correcting the above items.

**FINDING NUMBER 2015-008**

**Significant Deficiency**

**Delinquent Utility Accounts**

The Village should have written policies and procedures in place for the monitoring, billing, and collection of delinquent accounts in the utility department. The Village does not have any written policies and a review of the 'Utility Billing Delinquent Report', as of 12/1/2015 noted 59 inactive accounts which are not actively receiving services and are not being billed, totaling \$8,018.87 in delinquent amounts.

We recommend the Village implement written guidelines for the collection of delinquent accounts, including when they will be sent for collection and certification on the tax bills by the County Auditor. We further recommend that Council or the Board of Public Affairs receive a monthly delinquent account report so they can be appropriately monitored and they can ensure proper procedures are being followed to collect past due amounts.

**Officials' Response:**

We are currently working on correcting the above item.

**VILLAGE OF NEVADA  
WYANDOT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-01	Material weakness over Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	Fully corrected.	
2013-02	Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Partially corrected. Repeated in management letter.	Comment repeated due to these not being monitored closely. We will monitor more closely in 2017 to correct this item.
2013-03	Material Weakness over Ohio Rev. Code § 5705.36(A)(5) estimated unencumbered balance did not agree to balances existing at end of preceding year.	Fully corrected.	
2013-04	Material Weakness over Internal Revenue Code Chapter 26, late filing of certain taxes with penalties and interest assessed.	Not corrected. Repeated in this report as finding #2015-003.	Comment repeated due to these not being paid in a timely manner. We are currently up to date and will continue to pay taxes in a timely manner.
2013-05	Material Weakness over errors in financial reporting.	Not corrected. Repeated in this report as finding #2015-001.	Comment repeated due to these not being monitored closely. We will monitor more closely in 2017 to correct these items.
2013-06	Significant deficiency over Ohio Rev. Code § 5705.41(D) for funds not encumbered prior to expenditure.	Fully corrected.	
2013-07	Ohio Rev. Code § 117.38 not publishing notice of report.	Not corrected. Repeated in management letter.	Comment repeated due to not being published. We will publish for 2017 and forward.
2013-08	Significant Deficiency over Internal Revenue Code for not filing 1099-MISC	Not corrected. Repeated in this report as finding #2015-004.	Comment repeated due to these not being completed. We will inquire on how to fill these out and will file them for 2017 and forward.
2103-09	Ohio Rev. Code § 149.351(A) no supporting documentation.	Partially corrected. Repeated in the management letter.	Comment repeated due to these not being monitored closely. We will maintain all supporting documentation for 2017 and forward.

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# Dave Yost • 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  
MAY 4, 2017