



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF NEVADA
WYANDOT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Enterprise Funds For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2000	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Enterprise Funds For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

THIS PAGE INTENTIONALLY LEFT BLANK



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Nevada, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2001, and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

JIM PETRO
Auditor of State

July 17, 2002

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax	\$16,536	\$0	\$16,536
Intergovernmental Receipts	22,122	30,623	52,745
Fines, Licenses, and Permits	193	0	193
Earnings on Investments	2,098	0	2,098
Miscellaneous	80	0	80
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	41,029	30,623	71,652
Cash Disbursements:			
Current:			
Security of Persons and Property	1,170	0	1,170
Public Health Services	2,030	0	2,030
Leisure Time Activities	1,350	0	1,350
Community Environment	348	0	348
Basic Utility Services	5,928	0	5,928
Transportation	0	10,688	10,688
General Government	28,974	0	28,974
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	39,800	10,688	50,488
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	1,229	19,935	21,164
Other Financing Receipts:			
Sale of Fixed Assets	<hr/>	<hr/>	<hr/>
	3,075	0	3,075
Total Other Financing Receipts	<hr/>	<hr/>	<hr/>
	3,075	0	3,075
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	4,304	19,935	24,239
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	60,531	17,320	77,851
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>
	\$64,835	\$37,255	\$102,090
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$784	\$462	\$1,246

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$171,681
Total Operating Cash Receipts	<u>171,681</u>
Operating Cash Disbursements:	
Personal Services	16,397
Contractual Services	66,231
Supplies and Materials	<u>17,905</u>
Total Operating Cash Disbursements	<u>100,533</u>
Operating Income	<u>71,148</u>
Non-Operating Cash Receipts:	
Interest	1,415
Other Non-Operating Receipts	<u>2,587</u>
Total Non-Operating Cash Receipts	<u>4,002</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>83,654</u>
Total Non-Operating Cash Disbursements	<u>83,654</u>
Net Receipts (Under) Disbursements	(8,504)
Fund Cash Balance, January 1	<u>63,688</u>
Fund Cash Balance, December 31	<u><u>\$55,184</u></u>
Reserve for Encumbrances, December 31	<u><u>\$5,490</u></u>

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax	\$15,203	\$0	\$0	\$15,203
Intergovernmental Receipts	27,264	45,076	0	72,340
Fines, Licenses, and Permits	161	0	0	161
Earnings on Investments	2,484	0	0	2,484
Miscellaneous	830	25	0	855
	<u>45,942</u>	<u>45,101</u>	<u>0</u>	<u>91,043</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	1,170	0	0	1,170
Public Health Services	2,276	0	0	2,276
Leisure Time Activities	1,184	0	0	1,184
Community Environment	385	0	0	385
Basic Utility Services	5,905	0	0	5,905
Transportation	0	32,805	0	32,805
General Government	23,103	0	0	23,103
Debt Service	0	0	9,655	9,655
Capital Outlay	0	0	12,797	12,797
	<u>34,023</u>	<u>32,805</u>	<u>22,452</u>	<u>89,280</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	11,919	12,296	(22,452)	1,763
Fund Cash Balances, January 1	<u>48,612</u>	<u>5,024</u>	<u>22,452</u>	<u>76,088</u>
Fund Cash Balances, December 31	<u>\$60,531</u>	<u>\$17,320</u>	<u>\$0</u>	<u>\$77,851</u>
Reserves for Encumbrances, December 31	<u>\$3,838</u>	<u>\$4,394</u>	<u>\$0</u>	<u>\$8,232</u>

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

VILLAGE OF NEVADA
WYANDOT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$174,692
Total Operating Cash Receipts	<u>174,692</u>
Operating Cash Disbursements:	
Personal Services	15,844
Contractual Services	84,496
Supplies and Materials	<u>15,894</u>
Total Operating Cash Disbursements	<u>116,234</u>
Operating Income	<u>58,458</u>
Non-Operating Cash Receipts:	
Interest	2,083
Other Non-Operating Receipts	<u>150</u>
Total Non-Operating Cash Receipts	<u>2,233</u>
Non-Operating Cash Disbursements:	
Debt Service	<u>73,444</u>
Total Non-Operating Cash Disbursements	<u>73,444</u>
Net Receipts (Under) Disbursements	(12,753)
Fund Cash Balance, January 1	<u>76,441</u>
Fund Cash Balance, December 31	<u><u>\$63,688</u></u>
Reserve for Encumbrances, December 31	<u><u>\$8,061</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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains an interest-bearing NOW checking account and a money market account.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. 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, 2001 AND 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following Capital Project Fund:

Water Improvement Fund - This fund was used in 2000 to record the activity of the construction project relating to the water treatment plant improvements. This fund was eliminated after the completion of the project.

4. Enterprise Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 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.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

NOW Account	\$79,546	\$51,404
Money market account	77,728	90,135
Total deposits	\$157,274	\$141,539

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,810	\$44,104	\$5,294
Special Revenue	29,100	30,623	1,523
Enterprise	174,000	175,683	1,683
Total	\$241,910	\$250,410	\$8,500

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$99,341	\$40,584	\$58,757
Special Revenue	46,420	11,150	35,270
Enterprise	237,688	189,677	48,011
Total	\$383,449	\$241,411	\$142,038

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,739	\$45,942	\$16,203
Special Revenue	30,200	45,101	14,901
Capital Projects	11,000	0	(11,000)
Enterprise	177,875	176,925	(950)
Total	\$248,814	\$267,968	\$19,154

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$77,110	\$37,861	\$39,249
Special Revenue	36,465	37,199	(734)
Capital Projects	33,452	22,452	11,000
Enterprise	254,316	197,739	56,577
Total	\$401,343	\$295,251	\$106,092

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Special Revenue, and Enterprise funds at several object levels at December 31, 2001, and December 31, 2000.

4. PROPERTY TAX

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

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

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$280,183	5.5%
Mortgage Revenue Bonds	1,016,000	4.5%
Total	\$1,296,183	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved a \$300,000 loan to the Village for this project. The loan will be repaid in semiannual installments of \$12,672, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Mortgage Revenue Bonds relate to the construction of the Village sewer system and wastewater treatment plant. The bonds will be repaid in annual installments as set forth on the amortization schedule over 40 years. The bonds are secured by an Indenture of Mortgage on the properties of the Utility.

The Village has not established the required bond service and bond service reserve fund as required by the debt covenants related to the Mortgage Revenue Bonds.

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

	OWDA Loan	Mortgage Revenue Bonds
Year ending December 31:		
2002	\$25,344	\$57,720
2003	25,344	58,180
2004	25,344	58,595
2005	25,344	57,965
2006	25,344	58,335
2007 - 2011	126,718	291,920
2012 - 2016	126,718	289,950
2017 - 2021	76,091	291,030
2022 - 2026	-	290,540
2027 - 2031	-	291,175
2032 - 2036	-	291,550
Total	\$456,247	\$2,036,960

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Nevada, Wyandot County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated July 17, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2001-30288-001, 2001-30288-002, and 2001-30288-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 17, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30288-002 and 2001-30288-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 17, 2002.

This report is intended solely for the information and use of the finance committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

July 17, 2002

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30288-001

Expenditures Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Council.

Budgetary expenditures exceeded appropriations at the fund level in the Street Fund by \$3,431 at December 31, 2000.

Budgetary expenditures also exceeded appropriations at the object level, which is the Village's legal level of budgetary control, as follows:

Date	Fund	Description	Appropriations	Budgetary Expenditures	Variance
12/31/00	General	Park Contractual Services	\$ 300	\$ 909	\$(609)
12/31/00	General	Zoning Salary	300	305	(5)
12/31/00	General	Mayor Benefits	185	221	(36)
12/31/00	General	Council Supplies	100	8,604	(8,504)
12/31/00	General	Clerk/Treasurer Wages	3,025	3,084	(59)
12/31/00	General	Clerk/Treasurer Benefits	500	637	(137)
12/31/00	Street	Street Benefits	1,500	1,712	(212)
12/31/00	Street	Street Contractual Services	3,500	18,439	(14,939)
12/31/00	Sewer	Sewer Office Wages	4,000	4,320	(320)
12/31/00	Sewer	Sewer Contractual Services	100,000	101,457	(1,457)
12/31/01	General	Zoning Salary	300	309	(9)
12/31/01	General	Mayor Salary	1,200	1,237	(37)
12/31/01	General	Clerk/Treasurer Wages	3,600	3,836	(236)
12/31/01	General	Clerk Contractual Services	500	719	(219)
12/31/01	Water	Water Office Wages	3,600	3,842	(242)
12/31/01	Water	Water Office Supplies	1,000	1,103	(103)
12/31/01	Sewer	Sewer Office Wages	4,600	4,796	(196)
12/31/01	Sewer	Sewer Office Supplies	1,000	1,103	(103)

The Clerk/Treasurer should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increase expenditures levels by increasing appropriations and amending estimated resources, if necessary.

VILLAGE OF NEVADA
WYANDOT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)

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

FINDING NUMBER 2001-30288-002

Proper Certification by Village Clerk/Treasurer

Ohio Rev. Code Section 5705.41(D), states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Eighty-six percent of the transactions tested were not properly certified at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, eighty-three percent of the transactions tested had no purchase order issued or authorized. Certification of expenditures is not only required by Ohio law, but it is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council. Certification of expenditures can be accomplished through the use of purchase orders.

We recommend the Clerk/Treasurer issue purchase orders for all expenditures and properly certify all expenditures of the Village prior to the commitment being incurred.

FINDING NUMBER 2001-30288-003

Compliance With Debt Covenant

Ordinance No. 1996-08, authorizing the issuance of bonds in the amount of \$1,050,000 for the purpose of acquiring and constructing a municipal sewer system and water treatment plant for the Village of Nevada, contains a debt covenant for the establishment of five new funds. These funds are as follows: Construction Fund, Sewer System Fund, Sewer System Revenue Bond and Interest Payment Fund, Sewer Reserve Fund, and the Surplus Fund. The covenant requires the Village to set aside a portion of operating revenues to each of the above funds based on the available operating revenue for the Sewer Fund. It also requires rates and charges to be reasonable, just, and adequate taking into considerations the cost of maintaining, repairing, operating, and retiring bonds, as well as meeting the requirements for the required funds.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-30288-003 (Continued)

Compliance With Debt Covenant (Continued)

Because construction is completed, the Village is no longer required to maintain the Construction Fund. However, the Village has not established the Sewer System Revenue Bond and Interest Payment Fund, the Sewer Reserve Fund, or the Surplus Fund. The debt covenant establishes a hierarchy of monthly payments to be set aside in these funds based upon the remaining operating revenues of the Sewer System Fund. The hierarchy is as follows:

1. All reasonable and proper expenses of operating and maintaining the Utility and its capital replacements must remain in the Sewer System Fund.
2. Beginning on the 15th day of each month after the principal and interest payments have been made and there are sufficient revenues in the Sewer System Fund to cover operating expenses, the following shall be set aside in the Sewer System Revenue Bond and Interest Payment Fund: (1) 1/12 of the total interest payment due on the next interest payment date; and (2) 1/12 of the total principal due on the next principal due date. All principal and interest payments made, based on the Village's amortization schedule, are disbursed from the Sewer System Bond and Interest Payment Fund.
3. After the above allocations have taken place and if any funds are available, then out of the balance of revenues in the Sewer System Fund an amount equal to 1/120 of the Reserve Amount (i.e. ten percent of the total bond amount) needs to be set aside in the Sewer Reserve Fund. After the amount in the Sewer Reserve Fund has reached the Reserve Amount then no further deposits need to be made. The Sewer Reserve Fund is to be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the Utility which may be caused by an unforeseen catastrophe or for making payments of principal and interest on the bonds if the amount in the Sewer System Bond and Interest Payment Fund is not sufficient to meet such payments.
4. Annually on January 1, the revenues available in the Sewer System Fund at the end of the preceding calendar year, after making the payments required in 1-3 above, and after reserving an amount sufficient to provide adequate funds to finance the first two months operating costs in the current year, the remaining balance should be transferred to the Surplus Fund. The Surplus Fund, from time to time, can transfer funds to the Sewer System Revenue Bond and Interest Payment Fund to permit the payment of all bond obligations if needed.

Although the Village did not follow the covenants of the debt agreement, there were sufficient revenues in the preexisting Sewer fund to cover all debt principal and interest payments for 2001 and 2000. However, at December 31, 2001, the Sewer System Revenue Bond and Interest Payment Fund should have a balance of \$33,670. However, the Sewer System Fund only had a balance of \$23,947, which indicates sufficient revenues were not received to maintain the required funds.

We recommend the Village periodically review rates being charged for the Sewer Utility and determine rates needed in order to earn sufficient revenues to establish and maintain the required funds per the debt covenant requirements. We also recommend the Village establish the required funds and transfers revenues from the preexisting Sewer Fund to the other required funds monthly, based on the hierarchy of the covenant.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000
(Continued)**

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

FINDING NUMBER 2001-30288-004

Estimated Revenues Posting and Monitoring

The Clerk/Treasurer should post to the revenue ledger the estimated revenue as certified to the County Budget Commission to allow for monitoring of budget versus actual revenue. Monitoring comprises regular management and supervisory activities established to oversee whether management's financial objectives are being achieved. Monitoring controls generally pertain to the analysis of reports produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

During 2001 and 2000, no estimated revenues were posted to the revenue ledgers.

We recommend the Clerk/Treasurer post to the revenue ledger all estimate revenue as certified by the County Budget Commission. Furthermore, we recommend the Council review, on a monthly basis, budgetary reports comparing budget versus actual revenue for all funds.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 3, 2002**