

**VILLAGE OF NEVADA
WYANDOT COUNTY, OHIO**

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Nevada, Wyandot County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 26, 2013

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**Village of Nevada
Wyandot County, Ohio**

For the Years Ended December 31, 2011 and 2010

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Wolf, Rogers, Dickey & Co.

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Independent Auditors' Report

Village of Nevada
Wyandot County, Ohio

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, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of the Village of Nevada, Wyandot County, Ohio, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

June 28, 2013

Village of Nevada
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 18,008	-	-	18,008
Intergovernmental	11,131	48,685	-	59,816
Fines, licenses, and permits	544	-	-	544
Other	<u>301</u>	<u>2</u>	<u>-</u>	<u>303</u>
Total cash receipts	29,984	48,687	-	78,671
Cash disbursements:				
Current:				
Security of persons and property	7,901	-	-	7,901
Public health services	3,404	-	-	3,404
Leisure time activities	1,499	-	-	1,499
Community environment	290	-	-	290
Transportation	-	16,075	-	16,075
General government	36,411	-	-	36,411
Capital outlay	-	14,950	-	14,950
Debt service:				
Principal payments	7,193	-	35,084	42,277
Interest payments	<u>-</u>	<u>-</u>	<u>48,905</u>	<u>48,905</u>
Total cash disbursements	<u>56,698</u>	<u>31,025</u>	<u>83,989</u>	<u>171,712</u>
Excess of cash receipts over (under) cash disbursements	(26,714)	<u>17,662</u>	<u>(83,989)</u>	<u>(93,041)</u>
Other financing receipts :				
Transfers in	-	-	85,320	85,320
Other financing sources	<u>297</u>	<u>-</u>	<u>-</u>	<u>297</u>
Total other financing receipts	<u>297</u>	<u>-</u>	<u>85,320</u>	<u>85,617</u>
Net change in fund cash balances	(26,417)	17,662	1,331	(7,424)
Fund cash balances, beginning of year	<u>49,359</u>	<u>87,578</u>	<u>106,217</u>	<u>243,154</u>
Fund cash balances:				
Restricted	-	105,240	107,548	212,788
Assigned	5,645	-	-	5,645
Unassigned	<u>17,297</u>	<u>-</u>	<u>-</u>	<u>17,297</u>
Fund cash balances, end of year	\$ <u>22,942</u>	<u>105,240</u>	<u>107,548</u>	<u>235,730</u>

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

Village of Nevada
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances - Proprietary Fund Type
For the Year Ended December 31, 2011

	Proprietary Fund Type <u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 226,880
Earnings on investments	<u>1,356</u>
Total operating cash receipts	<u>228,236</u>
Operating cash disbursements:	
Personal services	11,271
Contractual services	118,698
Supplies and materials	<u>27,538</u>
Total operating cash disbursements	<u>157,507</u>
Operating income	70,729
Non-operating cash receipts (disbursements):	
Intergovernmental	36,100
Other debt proceeds	34,125
Miscellaneous receipts	1,850
Capital outlay	(70,225)
Interest and other fiscal charges	<u>(800)</u>
Total non-operating cash receipts	<u>1,050</u>
Excess of receipts over disbursements before transfers	71,779
Transfers out	<u>(85,320)</u>
Net receipts under disbursements	(13,541)
Fund cash balances, beginning of year	<u>116,077</u>
Fund cash balances, end of year	\$ <u>102,536</u>

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

Village of Nevada
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances - All Governmental Fund Types
For the Year Ended December 31, 2010

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and local taxes	\$ 17,038	-	-	17,038
Intergovernmental	12,560	50,347	-	62,907
Fines, licenses, and permits	500	-	-	500
Earnings on investments	83	-	-	83
Other	<u>10,870</u>	<u>5</u>	<u>-</u>	<u>10,875</u>
Total cash receipts	<u>41,051</u>	<u>50,352</u>	<u>-</u>	<u>91,403</u>
Cash disbursements:				
Current:				
Security of persons and property	7,398	-	-	7,398
Public health services	3,941	-	-	3,941
Leisure time activities	2,278	-	-	2,278
Community environment	707	-	-	707
Basic utility services	330	-	-	330
Transportation	-	41,426	-	41,426
General government	45,883	-	-	45,883
Capital outlay	-	14,624	-	14,624
Debt service:				
Principal payments	2,397	-	33,245	35,642
Interest payments	<u>-</u>	<u>-</u>	<u>50,554</u>	<u>50,554</u>
Total cash disbursements	<u>62,934</u>	<u>56,050</u>	<u>83,799</u>	<u>202,783</u>
Total receipts over (under) cash disbursements	(21,883)	(5,698)	(83,799)	(111,380)
Other financing receipts -				
Transfers in	<u>-</u>	<u>-</u>	<u>85,320</u>	<u>85,320</u>
Total other financing receipts	<u>-</u>	<u>-</u>	<u>85,320</u>	<u>85,320</u>
Net change in fund cash balances	(21,883)	(5,698)	1,521	(26,060)
Fund cash balances, beginning of year	<u>71,242</u>	<u>93,276</u>	<u>104,696</u>	<u>269,214</u>
Fund cash balances, end of year	\$ <u>49,359</u>	<u>87,578</u>	<u>106,217</u>	<u>243,154</u>
Reserves for encumbrances	\$ <u>8,111</u>	<u>17,489</u>	<u>-</u>	<u>25,600</u>

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

Village of Nevada
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in
Fund Cash Balances - Proprietary Fund Type
For the Year Ended December 31, 2010

	<u>Proprietary Fund Type Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 222,603
Earnings on investments	<u>187</u>
Total operating cash receipts	<u>222,790</u>
Operating cash disbursements:	
Personal services	16,905
Contractual services	91,631
Supplies and materials	<u>34,054</u>
Total operating cash disbursements	<u>142,590</u>
Operating income	80,200
Non-operating cash receipts (disbursements):	
Miscellaneous receipts	1,125
Other financing uses	<u>(1,101)</u>
Net non-operating cash receipts	<u>24</u>
Excess of receipts over disbursements before transfers	80,224
Transfers out	<u>(85,320)</u>
Net receipts under disbursements	(5,096)
Fund cash balances, beginning of year	<u>121,173</u>
Fund cash balances, end of year	\$ <u>116,077</u>
Reserves for encumbrances	\$ <u>47,091</u>

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

Village of Nevada
Notes to the Financial Statements
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies

Description of the Entity

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

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

Accounting Basis

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.

Deposits and Investments

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

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:

Government Fund Types:

General Fund

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

Special Revenue Funds

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

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

Special Revenue Funds, continued

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

Debt Services Funds

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

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

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

Sewer Debt Reserve Fund – This fund receives set aside amounts for the outstanding sewer bond based upon the debt covenants in the agreement.

Proprietary Fund Types:

Enterprise Funds

These funds are used to 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 for water services.

Sewer Fund – This fund receives charges for services from residents for sewer services.

Budgetary Process

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

Appropriations

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

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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 and amendments.

Encumbrances

The ORC requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

Fund Balance

For December 31, 2011, the Village implemented Governmental Accounting Standards Board (GASB) No. 54 "Fund Balance Reporting and Governmental Fund Definitions" which had no effect on fund balances. Under GASB No. 54, fund balances are 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:

Nonspendable

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

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.

Committed

Council can *commit* amounts via a 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.

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(1) Summary of Significant Accounting Policies, continued

Budgetary Process, continued

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.

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.

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 and Investments

The Village maintains a deposit pool used by all funds. The ORC prescribes allowable deposits and investments. The carrying amounts of cash and investments at December 31 were:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$ 338,266	359,231

The Village's deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(3) Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 56,200	30,281	(25,919)
Special Revenue	7,200	48,687	41,487
Debt Service	85,000	85,320	320
Proprietary	<u>205,500</u>	<u>300,311</u>	<u>94,811</u>
Total	<u>\$ 353,900</u>	<u>464,599</u>	<u>110,699</u>

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 86,205	56,698	29,507
Special Revenue	89,200	31,025	58,175
Debt Service	151,900	83,989	67,911
Proprietary	<u>262,000</u>	<u>313,852</u>	<u>(51,852)</u>
Total	<u>\$ 589,305</u>	<u>485,564</u>	<u>103,741</u>

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 41,200	41,051	(149)
Special Revenue	4,000	50,352	46,352
Debt Service	85,000	85,320	320
Proprietary	<u>401,000</u>	<u>223,915</u>	<u>(177,085)</u>
Total	<u>\$ 531,200</u>	<u>400,638</u>	<u>(130,562)</u>

<u>Fund Type</u>	<u>2010 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 110,000	71,045	38,955
Special Revenue	134,000	73,539	60,461
Debt Service	152,000	83,799	68,201
Proprietary	<u>328,000</u>	<u>276,102</u>	<u>51,898</u>
Total	<u>\$ 724,000</u>	<u>504,485</u>	<u>219,515</u>

Contrary to Ohio Administrative Code Section 117-2-02(c)(1), the Village's appropriations and estimated receipts did not agree to the system reports.

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(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. 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 semiannually 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, and distributing all property taxes on behalf of the Village.

Tangible personal property tax is being phased out.

(5) Debt Obligations

At December 31, 2011 and 2010, debt obligations consisted of the following issuances:

<u>Description</u>	<u>2011</u>	<u>2010</u>
Series 1995 United States Department of Agriculture (USDA) Sanitary Sewer System Mortgage Revenue Bond, due in annual installments of varying amounts through 2036 at a rate of 4.50%	\$ 862,000	881,000
1999 Ohio Water Development Authority (OWDA) for water system improvements, due in semi-annual installments of \$12,672 through 2019 at a rate of 5.5%	152,286	168,370
2006 Ohio Public Works Commission (OPWC) for storm sewer improvements, due in semi-annual installments of \$2,398 through 2027 at a rate of 1.5%	74,323	81,516
2011 OPWC waterline replacement, due in semi-annual installments of \$569 through 2042 at a rate of 0.00%	<u>34,125</u>	<u>-</u>
Total debt obligations	\$ <u>1,122,734</u>	<u>1,130,886</u>

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(5) Debt Obligations, continued

The Village's long-term debt activity for the year ended December 31, 2011 was as follows:

	Balance			Balance
	<u>12/31/2010</u>	<u>Proceeds</u>	<u>Payments</u>	<u>12/31/2011</u>
USDA Revenue Bonds – sewer system	\$ 881,000	-	(19,000)	862,000
OWDA – water system improvements	168,370	-	(16,084)	152,286
OPWC – storm sewer improvements	81,516	-	(7,193)	74,323
OPWC – waterline replacement	<u>-</u>	<u>34,125</u>	<u>-</u>	<u>34,125</u>
	<u>\$ 1,130,886</u>	<u>34,125</u>	<u>(42,277)</u>	<u>1,122,734</u>

The Village's long-term debt activity for the year ended December 31, 2010 was as follows:

	Balance			Balance
	<u>12/31/2009</u>	<u>Proceeds</u>	<u>Payments</u>	<u>12/31/2010</u>
USDA Revenue Bonds – sewer system	\$ 899,000	-	(18,000)	881,000
OWDA – water system improvements	183,615	-	(15,245)	168,370
OPWC – storm sewer improvements	<u>83,913</u>	<u>-</u>	<u>(2,397)</u>	<u>81,516</u>
	<u>\$ 1,166,528</u>	<u>-</u>	<u>(35,642)</u>	<u>1,130,886</u>

During 1995, a Sewer System First Mortgage Revenue Bond related to the construction of the Village sewer system and wastewater treatment plant was issued. The original amount of the bond was \$1,050,000 and will be repaid in annual installments over 40 years as set forth within the amortization schedule and has a fixed interest rate of 4.5%. The final payment will be due May 1, 2036. The bonds are secured by an Indenture of Mortgage on the properties of the utility. As of December 31, 2011, the total outstanding balance was \$862,000.

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, 2011 is \$45,490. In addition, during March of 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2011 is \$58,860.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA) 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 \$300,000. The loan will be repaid in semiannual installments of \$12,672, including interest over 20 years and has a fixed interest rate of 5.50%. Payments on the outstanding balance began in 2000 and the final installment will be due July 1, 2019. The loan is collateralized by water and sewer receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. As of December 31, 2011, the total outstanding balance was \$152,286.

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(5) Debt Obligations, continued

During 2006, the Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) for south side storm sewer improvements. 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. As of December 31, 2011, the total outstanding balance was \$74,323.

In 2011, the Village entered into a loan agreement with the Ohio Public Works Commission (OPWC) for the replacement of a waterline. The original amount of the loan is \$34,125. The loan will be repaid in semiannual installments of \$569 over 30 years. Payments on the outstanding balance will begin in 2012 and final installment will be due January 1, 2042. As of December 31, 2011, the total outstanding balance was \$34,125.

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

Year Ending December 31:	Mortgage <u>Revenue Bonds</u>	OWDA <u>Loan</u>	OPWC <u>Loan</u>	OPWC <u>Loan</u>
2012	\$ 57,790	25,344	7,192	569
2013	57,935	25,344	4,795	1,138
2014	58,035	25,344	4,795	1,138
2015	58,090	25,344	4,795	1,138
2016	58,100	25,344	4,795	1,138
2017-2021	291,030	76,031	23,975	5,690
2022-2026	290,540	-	23,975	5,690
2027-2031	291,175	-	-	5,685
2032-2036	291,550	-	-	5,685
2037-2041	-	-	-	5,685
2042	-	-	-	569
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>1,454,245</u>	<u>202,751</u>	<u>74,322</u>	<u>34,125</u>

(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 2011 and 2010, PERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2011 and 2010. The Village has paid all contributions required through December 31, 2011.

During 2010 and 2011, a few of the Village Council members and Board of Public Affairs members elected to participate in the Social Security retirement system. The Village's liability for those individuals was 6.2% of wages.

Village of Nevada
Notes to the Financial Statements, continued
December 31, 2011 and 2010

(7) Risk Management

The Village has obtained commercial insurance for the following risks:

- Property
- General Liability
- Automobile
- Inland Marine
- Crime

Coverage varies with limits up to \$3,000,000.

The Village also has Public Officials and Employment Practices Liability Insurance coverage with liability coverage up to \$1,000,000.

The Village paid premiums of \$12,722 and \$3,985 in 2011 and 2010, respectively.

(8) Subsequent Events

Subsequent events have been evaluated through June 28, 2013, which is the date the financial statements were available to be issued.

(9) Compliance

Contrary to Ohio law:

- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- Expenditures exceeded appropriations in the Water Debt Retirement fund in 2010.
- The Village did not record all of the activity for the replacement of a waterline.
- The Village did not encumber all funds prior to expenditures.
- Appropriations exceeded estimated resources in the Street, State Highway and Sewer Reserve funds in 2011 and in the Sewer Debt Reserve and Storm Sewer Debt Retirement funds in 2010.
- Appropriations exceeded available estimated resources in the General, Sewer Debt Reserve, and Storm Sewer Debt Retirement funds in Expenditures exceeded appropriations in the Enterprise Fund in 2011.

Contrary to Federal law:

- The Village did not file the appropriate payroll forms timely with the Internal Revenue Service, nor were timely deposits of withholding taxes made, resulting with penalties and interest assessed on the Village.

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Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By Government Auditing Standards

Village of Nevada
Wyandot County, Ohio

To the Village Council:

We have audited the financial statements of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 28, 2013 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America, and wherein we noted the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. We consider Findings 2011-01 through 2011-05 described in the accompanying Schedule of Findings to be material weaknesses.

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 2011-06 through 2011-08 and 2011-10 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Findings 2011-01 through 2011-04 and 2011-08 through 2011-13.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2013.

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.

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

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

June 28, 2013

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2011-01
Material weakness/noncompliance

Ohio Revised Code (ORC) Section 5705.36 states:

1. That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
2. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2011, appropriations exceeded available resources as follows:

	<u>Available Resources</u>	<u>Appropriations</u>	<u>Difference</u>
General	\$ 85,649	86,205	(556)
Sewer Debt Reserve	58,860	59,000	(140)
Storm Sewer Debt Retirement	<u> -</u>	<u> 5,400</u>	<u>(5,400)</u>
Total	\$ <u>144,509</u>	<u>150,605</u>	<u>(6,096)</u>

These deficits were caused by actual receipts falling below budgeted receipts. We recognize that the Village did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Village should have reduced the appropriations below the estimated resources.

Village Response

No written response received.

Finding Number 2011-02
Material weakness/noncompliance

Ohio Compliance Supplement (OCS) Chapters 6-9 and 6-10 and Internal Revenue Code Chapter 26 require employing governments to withhold federal, state and local income and employment related taxes. Employing governments are also required to comply with remittance requirements for these withholdings. The Village received several notices for late filing of certain taxes and was assessed penalties and interest in 2011 of \$2,585. Additionally, subsequent to 2011, the Village was assessed \$4,038. Late filing and remittances of these regulatory withholdings cause the Village to expend additional funds unnecessarily.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-02, continued

Village Response

No written response received.

Finding Number 2011-03
Material weakness/noncompliance

ORC Section 5705.39 states that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure.

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2011.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
Sewer Debt Reserve	\$ 58,860	59,000	(140)
Storm Sewer Debt Retirement	-	5,400	(5,400)

The Village had appropriations exceeding estimated resources in the following funds at December 31, 2010.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations Authority</u>	<u>Variance</u>
Street	\$ 89,079	125,000	(35,921)
State Highway	8,196	9,000	(804)
Sewer Reserve	58,860	68,000	(9,140)

We recommend the Village monitor closely its appropriation and estimated resources and ensure that all required budgetary documents, including amended appropriations and estimated resources are filed with the Budget Commission.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-04
Material weakness/noncompliance

ORC Section 5705.36 provides that on or about the first day of each fiscal year, the fiscal officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget, with any balances that may exist at the end of preceding year. It further provides that encumbered but unexpended funds from the previous year shall not be included as available. This is generally referred to as the "first amended" certificate of estimated resources and shall serve as the basis of the annual appropriation resolution. Additionally, ORC Section 5705.36 provides that total appropriations made during the fiscal year from any fund shall not exceed the amount set forth as available for expenditure from such fund.

For 2010, the estimated unencumbered balance did not agree to balances existing at the end of the preceding year. An amended certificate of estimated resources was not completed.

<u>2010</u>	<u>Unencumbered Balances per Audited Financial Statements at 12/31/2009</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General	\$ 71,242	-	71,242
Street/State Highway	93,276	75,000	18,276
Water/Sewer Retirement	104,696	105,500	(804)
Enterprise	<u>121,173</u>	<u>52,000</u>	<u>69,173</u>
	<u>\$ 390,387</u>	<u>232,500</u>	<u>157,887</u>

For 2010, the estimated resources did not agree to amounts entered into the Village's accounting system as follows:

<u>2010</u>	<u>Per Amended Certificate of Estimated Resources</u>	<u>Per Accounting System</u>	<u>Difference</u>
General	\$ -	66,435	(66,435)
Street/State Highway	75,000	93,275	(18,275)
Water/Sewer Retirement	105,500	104,090	1,410
Enterprise	<u>52,000</u>	<u>121,155</u>	<u>(69,155)</u>
	<u>\$ 232,500</u>	<u>384,955</u>	<u>(152,455)</u>

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-05
Material weakness

The Village Officers' Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the code.

We noted the following errors in the Village prepared financial statements that required reclassification entries in 2010 and 2011, respectively:

- In 2010, the beginning balances in the General Fund and Debt Fund for the Sewer Debt did not agree to the prior year audited amounts by \$4,797.
- In 2010 and 2011, principal payments of \$7,192 and \$2,398, respectively, were paid out of Contractual Services instead of Debt Service in the General Fund.
- In 2010 and 2011, the principal and interest portion of loan payments totaling \$83,989 and \$83,799, respectively, were not recorded properly.
- In 2010, insurance proceeds were recorded as other financing sources instead of miscellaneous in the General Fund.
- In 2011, intergovernmental receipts of \$958 were recorded as Property Tax in the General Fund.

These adjustments are reflected in the audited financial statements and the Village's books. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were materially misstated.

Village Response

No written response received.

Finding Number 2011-06
Significant deficiency

Three disbursements were paid after their due date, one of which resulted in late fees of \$50. Late remittances of expenditures that result in additional fees cause the Village to expend additional funds unnecessarily.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-07
Significant deficiency

Although certain Finance Committee Members receive and review a select number of reports from the Fiscal Officer of the Village for approval on a monthly basis, the Village has not established written procedures to reasonably ensure completeness and accuracy of the monthly reporting. Village Council and the Finance Committee Members are not reviewing the numerical check sequence associated with the checks or the payees that are recorded in the accounting software, prior to the signing the checks. In addition, some checks issued were not on the check register, some checks issued did not agree to the check register and there were duplicate check numbers issued.

Village Response

No written response received.

Finding Number 2011-08
Significant deficiency/noncompliance

ORC Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. Funds were not encumbered prior to expenditure for two of the thirty-two disbursements tested and Then and Now Certificates were not prepared. Two other disbursements did not have a purchase order, so we could not determine if funds had been encumbered.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-09
Noncompliance

During our audit testing, we became aware that there were reimbursements to the fiscal officer totaling \$246 in 2010. There was only documentation totaling \$216 to support these reimbursements.

Village Response

No written response received.

Finding Number 2011-10
Significant deficiency/noncompliance

ORC Section 5705.42 indicates when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of ORC section 5705.41.

The Village replaced a waterline from funding provided by the Ohio Public Works Commission (OPWC). As part of this project, OPWC made some of the payments directly to the contractors for the project costs. The Village is to record memorandum receipts and disbursements on its books for expenditures made on behalf of the Village. The Village did not record all of the activity on the books.

Although there is no effect on the cash balance of the Village, not recording all of this activity causes revenues and expenses to be understated. Adjustments of \$76,245 for 2011 have been made to the financial statements to reflect the full cost of the project.

In addition, appropriations in the Enterprise Fund were not approved to cover the expenditures made by Ohio Water Development Authority on behalf of the Village for the project. In violation of ORC Section 5705.41(B), expenditures exceeded appropriations by \$274,691 and \$437,730 in the Enterprise Fund for 2011 and 2010, respectively.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-11
Noncompliance

ORC Section 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the ORC or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the ORC. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

During testing, expenditures totaling \$4,718 had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We recommend all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

Village Response

No written response received.

Finding Number 2011-12
Noncompliance

ORC Section 5705.41(B) provides that no money is to be expended unless it has been appropriated. Budgetary expenditures exceeded appropriation authority by \$344 in the Water Debt Retirement Fund for 2010.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2011 and 2010**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2011-13
Noncompliance

Reimbursements to the Mayor totaling \$182 in 2011 had no supporting documentation.

Village Response

No written response received.

**Village of Nevada
Wyandot County, Ohio
Schedule of Prior Audit Findings
December 31, 2011 and 2010**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2009-01	Significant Deficiency - Internal Control Procedures	No	Repeat as Finding 2011-07
2009-02	ORC 5705.36 - Amending Certificate of Estimated Resources	No	Repeat as Finding 2011-01
2009-03	ORC 5704.41(D) - Prior Certification of Expenditures	No	Repeat as Finding 2011-08
2009-04	IRS – Federal, State, and Local Payroll Taxes	No	Repeat as Finding 2011-02
2009-05	Public Records Policy	Yes	Finding no longer valid

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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
OCTOBER 8, 2013**