

***VILLAGE OF NEY***

**DEFIANCE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2016 and 2015**







# Dave Yost • Auditor of State

Village Council  
Village of Ney  
PO Box 237  
Ney, OH 43549

We have reviewed the *Independent Auditor's Report* of the Village of Ney, Defiance County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2015 through December 31, 2016. 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 Ney is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 6, 2017

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**VILLAGE OF NEY**  
**DEFIANCE COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2016 and 2015**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

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

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 Ney, Defiance County, (the Village) as of and for the years ended December 31, 2016 and 2015.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 2 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***

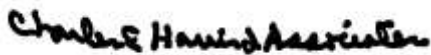
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position or its 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 Ney, Defiance County as of December 31, 2016 and 2015, 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 2.

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

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



***Charles E. Harris & Associates, Inc.***  
July 19, 2017



**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 6,532	\$ 7,153	\$ 13,685
Municipal Income Tax	24,966	-	24,966
Intergovernmental	36,332	20,022	56,354
Special Assessments	-	3,846	3,846
Fines, Licenses and Permits	500	-	500
Earnings on Investments	171	-	171
Miscellaneous	3,090	-	3,090
	<u>71,591</u>	<u>31,021</u>	<u>102,612</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	6,260	8,748	15,008
Basic Utility Services	969	-	969
Transportation	3,417	20,977	24,394
General Government	41,351	84	41,435
	<u>51,997</u>	<u>29,809</u>	<u>81,806</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	19,594	1,212	20,806
<i>Fund Cash Balances, January 1</i>	<u>746</u>	<u>74,024</u>	<u>74,770</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	75,236	75,236
Unassigned	20,340	-	20,340
	<u>20,340</u>	<u>-</u>	<u>20,340</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 20,340</u>	<u>\$ 75,236</u>	<u>\$ 95,576</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
<b>Operating Cash Receipts</b>				
Charges for Services	\$ 103,077	-	-	\$ 103,077
Earnings on Investments	-	-	\$ 3	3
<i>Total Operating Cash Receipts</i>	<u>103,077</u>	<u>-</u>	<u>3</u>	<u>103,080</u>
<b>Operating Cash Disbursements</b>				
Personal Services	17,213	-	-	17,213
Employees Fringe Benefits	2,671	-	-	2,671
Contractual Services	28,303	-	-	28,303
Supplies and Materials	13,242	-	-	13,242
Other	-	6,374	-	6,374
<i>Total Operating Cash Disbursements</i>	<u>61,429</u>	<u>6,374</u>	<u>-</u>	<u>67,803</u>
<i>Operating Income (Loss)</i>	41,648	(6,374)	3	35,277
<b>Non-Operating Receipts (Disbursements)</b>				
Miscellaneous	-	140	-	140
Principal Retirement	(15,480)	-	-	(15,480)
Interest and Other Fiscal Charges	(7,472)	-	-	(7,472)
Other Financing Sources	26,093	-	-	26,093
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>3,141</u>	<u>140</u>	<u>-</u>	<u>3,281</u>
<i>Net Change in Fund Cash Balances</i>	44,789	(6,234)	3	38,558
<i>Fund Cash Balances, January 1</i>	<u>316,160</u>	<u>7,737</u>	<u>24,105</u>	<u>348,002</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 360,949</u>	<u>\$ 1,503</u>	<u>\$ 24,108</u>	<u>\$ 386,560</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 6,460	\$ 7,101	-	\$ 13,561
Intergovernmental	34,961	20,227	\$ 10,400	65,588
Special Assessment	-	3,850	-	3,850
Fines, Licenses and Permits	525	-	-	525
Earnings on Investments	169	-	-	169
Miscellaneous	3,086	-	-	3,086
<i>Total Cash Receipts</i>	<u>45,201</u>	<u>31,178</u>	<u>10,400</u>	<u>86,779</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	6,020	15,059	-	21,079
Basic Utility Services	360	-	-	360
Transportation	-	15,397	-	15,397
General Government	43,647	144	-	43,791
Capital Outlay	-	-	10,400	10,400
<i>Total Cash Disbursements</i>	<u>50,027</u>	<u>30,600</u>	<u>10,400</u>	<u>91,027</u>
<i>Net Change in Fund Cash Balances</i>	(4,826)	578	-	(4,248)
<i>Fund Cash Balances, January 1</i>	<u>5,572</u>	<u>73,446</u>	<u>-</u>	<u>79,018</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	74,024	-	74,024
Unassigned	746	-	-	746
<i>Fund Cash Balances, December 31</i>	<u>\$ 746</u>	<u>\$ 74,024</u>	<u>\$ -</u>	<u>\$ 74,770</u>

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

**VILLAGE OF NEY  
DEFIANCE COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>Private Purpose Trust</u>	
<b>Operating Cash Receipts</b>				
Charges for Services	\$ 110,337	-	-	\$ 110,337
Earnings on Investments	-	-	\$ 8	8
<i>Total Operating Cash Receipts</i>	<u>110,337</u>	<u>-</u>	<u>8</u>	<u>110,345</u>
<b>Operating Cash Disbursements</b>				
Personal Services	26,159	-	-	26,159
Employees Fringe Benefits	4,408	-	-	4,408
Contractual Services	80,158	-	-	80,158
Supplies and Materials	83,592	-	-	83,592
Other	25	152	-	177
<i>Total Operating Cash Disbursements</i>	<u>194,342</u>	<u>152</u>	<u>-</u>	<u>194,494</u>
<i>Operating Income (Loss)</i>	(84,005)	(152)	8	(84,149)
<b>Non-Operating Receipts (Disbursements)</b>				
Miscellaneous	-	3,150	-	3,150
Principal Retirement	(15,109)	-	-	(15,109)
Interest and Other Fiscal Charges	(10,924)	-	-	(10,924)
Other Financing Sources	8,698	-	-	8,698
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,335)</u>	<u>3,150</u>	<u>-</u>	<u>(14,185)</u>
<i>Net Change in Fund Cash Balances</i>	(101,340)	2,998	8	(98,334)
<i>Fund Cash Balances, January 1</i>	<u>417,500</u>	<u>4,739</u>	<u>24,097</u>	<u>446,336</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 316,160</u>	<u>\$ 7,737</u>	<u>\$ 24,105</u>	<u>\$ 348,002</u>

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

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 - Reporting Entity**

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

***Public Entity Risk Pools***

The Village participates in the Ohio Plan Risk Management, Inc., a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. Note 11 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Street Construction Maintenance and Repair*** The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

***Street Light Assessment Fund*** The Street Light Assessment Fund accounts for and reports funds collected for the purpose of lighting the streets, alleys, and other public places within the Village.

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Fund Accounting (continued)***

***Fire Fund*** The Fire Fund accounts for and reports that portion of Real Estate Tax collected for fire protection services for the Village.

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

***Public Works Commission Capital Projects Fund*** This fund receives grant revenues from the State of Ohio for road improvements to various Village streets.

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

***Water Operating Fund*** The water operating fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village and debt payments for the retirement of outstanding indebtedness.

***Sewer System Operating Fund*** The sewer system operating fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and debt payments for the retirement of outstanding indebtedness.

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

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Agency Funds:

***Memorial Park Fund*** This fund received donations to construct and upkeep a veteran's memorial park in the Village.

***Park Board Fund*** The fund received a payment on behalf of the Ney Community Park Board.

***Basis of Accounting***

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.

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Basis of Accounting (continued)***

Council 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 disbursements 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.

***Budgetary Process***

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

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

***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 approve estimated resources.

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***Capital Assets***

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

***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 Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Fund Balance (continued)***

***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 formal action (ordinance or resolution). The Village must adhere to these commitments unless the Council amends the ordinance or 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.

***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. Council may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

***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 Disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the General fund and in the Special Revenue –SCMR fund by \$1,983 and \$11,222, respectively for the year ended December 31, 2015.



**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

**Note 4 - Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,403	\$71,591	\$188
Special Revenue	36,650	31,021	(\$5,629)
Enterprise	132,500	129,170	(\$3,330)
Private Purpose Trust	10	3	(\$7)

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$72,060	\$51,997	\$20,063
Special Revenue	105,744	29,809	75,935
Enterprise	353,179	84,381	268,798
Private Purpose Trust	24,115	0	24,115

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,768	\$45,201	(\$2,433)
Special Revenue	31,950	31,178	772
Capital Projects	12,500	10,400	2,100
Enterprise	135,000	119,035	15,965
Private Purpose Trust	10	8	2

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$50,323	\$50,027	\$296
Special Revenue	116,618	30,600	86,018
Capital Projects	12,500	10,400	2,100
Enterprise	363,189	220,375	142,814
Private Purpose Trust	27,107	0	27,107

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 5 – Deposits and Investments**

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

	<u>2016</u>	<u>2015</u>
Demand deposits	\$ 136,431	\$ 74,231
Other time deposits (savings)	345,655	348,491
Cash on Hand	50	50
Total deposits and Cash on Hand	<u>\$ 482,136</u>	<u>\$ 422,772</u>

***Deposits***

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

**Note 6 – Taxes**

***Property Taxes***

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.

***Income Taxes***

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Regional Income Tax Authority either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 7 - Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. 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 (the latest information available).

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

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

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 8 - Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

Most Village 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. 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, 2016.

*Social Security*

All of the Village's Council members contributes to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Water Tower Loan # 3624	\$ 181,632	5.65%
OWDA Sewer System Loan # 5272	120,938	0%
Total	\$ 302,570	

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

**Village of Ney, Ohio**  
*Defiance County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 10 – Debt (continued)**

The Ohio Water Development Authority (OWDA) loan #5272 relates to the construction of a sanitary sewer collection and treatment system in the Village. The Village received loan proceeds of \$449,474 for this project, of which \$276,706 has been retired through “principal forgiveness” by OWDA in 2012. The Village will repay the loan in semiannual installments on January 1 and July 1. Repayment of the loan will occur over twenty years from 2011 through 2030. The Village approved a monthly charge to each water user in the Village as the dedicated source of repayment for this loan.

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

***Amortization***

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

Year ending	OWDA	OWDA
December 31:	Loan # 3624	Loan # 5272
2017	\$ 17,396	\$ 8,638
2018	17,396	8,638
2019	17,396	8,638
2020	17,396	8,638
2021	17,396	8,638
2022-2026	86,976	43,192
2027-2031	86,976	34,556
2032	17,394	0
Total	<u>\$ 278,326</u>	<u>\$ 120,938</u>

**Note 11 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 12 – Contingent Liabilities**

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village’s financial condition.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

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

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 Ney, Defiance County (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated July 19, 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 opinions 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

***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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2016-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 19, 2017.

***Entity's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying corrective action plan. 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.



***Charles E. Harris and Associates, Inc.***  
July 19, 2017



**VILLAGE OF NEY  
DEFIANCE COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2016 and 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number: 2016-001 – Material Weakness**

**Fund balance classification and recording of transactions:**

The Treasurer erroneously recorded numerous transactions during 2016 and 2015. The more significant adjustments are as follow:

- Recorded revenue for debt repayment as charges for services instead of other financing sources.
- Recorded rollbacks as property and other local taxes instead of intergovernmental.
- Recorded refunds and revenue from trash collection as other financing sources instead of miscellaneous revenue.

Failure to report transactions correctly results in the financial statements not being accurately presented. We recommend that the Fiscal Officer refer to the Village Officer's Handbook, UAN manuals and Auditor of State guidance to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by UAN to ensure their accuracy.

**Management Response:**

See Corrective Action Plan.

**Finding Number: 2016-002 – Material Noncompliance**

**Appropriations Exceeding Estimated Resources:**

**Ohio Revised Code Section § 5705.39** states, in part, that "...The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission..."

In 2015, the General Fund appropriations exceeded estimated resources by \$1,983. Similarly, the Special Revenue - SCMR Fund appropriations exceeded estimated resources by \$11,222.

We recommend that the Village monitor estimated resources and appropriations and amend as necessary to avoid exceeding estimated resources.

**Management Response:**

See Corrective Action Plan.

**VILLAGE OF NEY  
DEFIANCE COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2016 and 2015**

FINDING NUMBER	FUNDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2014-001	Non-Compliance and material weakness – Contrary to Ohio Revised Code Section 5705.41(D), the Village incurred obligations prior to certification of funds.	Partially Corrected	Moved to management letter
2014-002	Non-Compliance and material weakness – Contrary to Ohio Revised Code Section 5705.10, Wages were not paid from the proper fund nor for the proper purpose	Corrective Action Taken and Finding is Fully Corrected	
2014-003	Material Weakness – Audit Adjustments and Reclassifications: Various errors were noted in financial statements that required audit adjustments and reclassifications.	Not Corrected	Repeated as Finding 2016-001

**VILLAGE OF NEY  
DEFIANCE COUNTY, OHIO**

**CORRECTIVE ACTION PLAN  
For the Years Ended December 31, 2016 and 2015**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	I agree that the transactions noted were posted in error to the incorrect line item. This will be corrected going forward.	Immediately	Jerry Bergman, Fiscal Officer
2016-002	We never appropriate more than the amended official certificate of estimated resources and the county auditor would never approve it. This issue was caused by the fund balance adjustments made on July 25, 2015 which resulted in the General Fund balance being decreased by \$2,209 and the Special Revenue Fund being decreased by \$12,476. At the time the appropriations ordinance was passed, the funds were believed to be available and the deficit was caused after the fact by the auditor of state fund balance adjustments. It will not be an issue going forward as it was corrected.	Immediately	Jerry Bergman, Fiscal Officer

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# Dave Yost • Auditor of State

VILLAGE OF NEY

DEFIANCE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 24, 2017