



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF NEVADA
WYANDOT COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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.

Efficient • Effective • Transparent

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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Nevada, Wyandot County, Ohio as of December 31, 2017 and 2016, 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 November 4, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017*

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$17,275			\$17,275
Intergovernmental	16,429	\$47,965		64,394
Fines, Licenses and Permits	435			435
Earnings on Investments		4		4
Miscellaneous	3,264			3,264
<i>Total Cash Receipts</i>	<u>37,403</u>	<u>47,969</u>		<u>85,372</u>
Cash Disbursements				
Current:				
Security of Persons and Property	101			101
Public Health Services	2,512			2,512
Leisure Time Activities	2,266			2,266
Community Environment	428			428
Transportation		14,340		14,340
General Government	25,959			25,959
Capital Outlay	2,849			2,849
Debt Service:				
Principal Retirement			\$34,790	34,790
Interest and Fiscal Charges			35,433	35,433
<i>Total Cash Disbursements</i>	<u>34,115</u>	<u>14,340</u>	<u>70,223</u>	<u>118,678</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,288</u>	<u>33,629</u>	<u>(70,223)</u>	<u>(33,306)</u>
Other Financing Receipts				
Transfers In			85,320	85,320
<i>Net Change in Fund Cash Balances</i>	3,288	33,629	15,097	52,014
<i>Fund Cash Balances, January 1</i>	<u>35,327</u>	<u>85,323</u>	<u>123,839</u>	<u>244,489</u>
Fund Cash Balances, December 31				
Restricted		118,952	138,936	257,888
Assigned	32,150			32,150
Unassigned	6,465			6,465
<i>Fund Cash Balances, December 31</i>	<u>\$38,615</u>	<u>\$118,952</u>	<u>\$138,936</u>	<u>\$296,503</u>

See accompanying notes to the basic financial statements

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017*

	Enterprise
Operating Cash Receipts	
Charges for Services	\$248,481
Miscellaneous	486
	248,967
<i>Total Operating Cash Receipts</i>	<i>248,967</i>
Operating Cash Disbursements	
Personal Services	9,872
Contractual Services	138,336
Supplies and Materials	18,603
	166,811
<i>Total Operating Cash Disbursements</i>	<i>166,811</i>
<i>Operating Income</i>	<i>82,156</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,938
Principal Retirement	(2,967)
Other Financing Uses	(1,225)
	(1,254)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,254)</i>
<i>Income before Transfers</i>	<i>80,902</i>
Transfers Out	(85,320)
<i>Net Change in Fund Cash Balances</i>	<i>(4,418)</i>
<i>Fund Cash Balances, January 1</i>	<i>196,873</i>
<i>Fund Cash Balances, December 31</i>	<i>\$192,455</i>

See accompanying notes to the basic financial statements

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

Note 1 - Reporting Entity

The Village of Nevada, Wyandot County, Ohio (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 Wyandot County Sheriff's department to provide security of persons and property. Wyandot East Fire District provides fire protection and rescue services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Notes 7 and 12 to the financial statements provides additional information for these entities.

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 the proprietary fund type 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 Fund:

Street Construction Maintenance and Repair Fund 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.

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

(Continued)

Water Debt Retirement Fund The Water Debt Retirement fund accounts for the transfers from the water operating fund for the debt payments relating to the Village's Ohio Water Development Authority waterline and plant expansion loan.

Sewer Debt Retirement Fund The Sewer Debt Retirement fund accounts for the transfers from the sewer operating fund for the debt payments relating to the Village's Sewer System Revenue Mortgage Bonds.

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

Water Fund The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

(Continued)

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:

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 (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.

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.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the Water Debt Retirement fund by \$16,632. Also contrary to Ohio law, the Village failed to approve and timely record transfers as required by § 5705.14 and failed to record receipts in the proper funds as required by § 5705.10.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)*

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,149	\$37,403	\$1,254
Special Revenue	33,004	47,969	14,965
Debt Service	97,220	85,320	(11,900)
Enterprise	247,986	251,905	3,919
Total	\$414,359	\$422,597	\$8,238

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,345	\$34,115	\$29,230
Special Revenue	93,000	14,340	78,660
Debt Service	201,860	70,223	131,637
Enterprise	428,645	256,323	172,322
Total	\$786,850	\$375,001	\$411,849

Note 5 - Deposits

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

Demand deposits	2017
	\$488,958

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

Note 6 - 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)*

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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u><u>\$5,292,512</u></u>

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

(Continued)

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village officials 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, 2017.

Social Security

Some Village officials contributed 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, 2017.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was one percent during calendar year 2017. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2017.

Note 10 - Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Sewer System First Mortgage Revenue Bonds	\$733,000	4.5%
Ohio Water Development Authority #2058	46,796	5.5%
Ohio Public Works Commission #CP31I	43,155	0.0%
Ohio Public Works Commission #CT590	27,869	0.0%
Total	\$850,820	

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

(Continued)

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, 2017 is \$49,555. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2017 is \$58,860. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met, but no monthly transfers of \$875 have been made as required by the covenant.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #2058) for a water line project and plant expansion update that was mandated by the Ohio Environmental Protection Agency. The original amount of the loan was \$302,866. The loan will be repaid in semiannual installments over 20 years. Payments on the outstanding balance began in 2002 and the final installment will be due July 1, 2019. The loan is collateralized by water receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has established and funded a water debt service fund, included as a debt service fund to pay the OWDA loan. The balance in this fund at December 31, 2017 is \$30,521.

During 2006, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CP31I) for south side storm sewer improvement. The original amount of the loan was \$95,900. The loan will be repaid in semiannual installments of \$2,398 over 20 years. Payments on the outstanding balance began in 2007 and final installment will be due January 1, 2027.

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

Amortization

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

Year Ending December 31:	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan #CP31I	OPWC Loan #CT590
2018	\$57,985	\$37,133	\$7,193	\$1,706
2019	57,860	12,492	4,795	1,138
2020	58,690		4,795	1,138
2021	58,430		4,795	1,138
2022	58,125		4,795	1,138
2023-2027	290,160		16,782	5,687
2028-2032	291,950			5,687
2033-2037	233,030			5,687
2038-2042				4,550
Total	\$1,106,230	\$49,625	\$43,155	\$27,869

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)*

Note 11 - Miscellaneous Revenues

The Village has miscellaneous revenues in the General fund totaling \$3,264. These revenues consist primarily of the Wyandot East Fire District yearly rent of a building and park donations.

Note 12 - Jointly Governed Organization

The Wyandot East Fire District is a jointly governed organization. The Village of Nevada, Antrim Township, Eden Township, and Tod Township each appoint members to sit on the Fire District Board. The Fire District provides fire protection and rescue services within the District and mutual aid to areas outside the District.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$15,194				\$15,194
Intergovernmental	17,727	\$49,420		\$11,335	78,482
Fines, Licenses and Permits	260				260
Miscellaneous	2,807	4			2,811
<i>Total Cash Receipts</i>	<u>35,988</u>	<u>49,424</u>		<u>11,335</u>	<u>96,747</u>
Cash Disbursements					
Current:					
Public Health Services	2,220				2,220
Leisure Time Activities	1,630				1,630
Community Environment	428				428
Transportation		24,738			24,738
General Government	27,812				27,812
Capital Outlay		21,052		11,335	32,387
Debt Service:					
Principal Retirement			\$54,249		54,249
Interest and Fiscal Charges			40,254		40,254
<i>Total Cash Disbursements</i>	<u>32,090</u>	<u>45,790</u>	<u>94,503</u>	<u>\$11,335</u>	<u>183,718</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>3,898</u>	<u>3,634</u>	<u>(94,503)</u>		<u>(86,971)</u>
Other Financing Receipts					
Transfers In			85,320		85,320
<i>Net Change in Fund Cash Balances</i>	3,898	3,634	(9,183)		(1,651)
<i>Fund Cash Balances, January 1</i>	<u>31,429</u>	<u>81,689</u>	<u>133,022</u>		<u>246,140</u>
Fund Cash Balances, December 31					
Restricted		85,323	123,839		209,162
Assigned	27,196				27,196
Unassigned	8,131				8,131
<i>Fund Cash Balances, December 31</i>	<u>\$35,327</u>	<u>\$85,323</u>	<u>\$123,839</u>		<u>\$244,489</u>

See accompanying notes to the basic financial statements

**VILLAGE OF NEVADA
WYANDOT COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$255,486
Miscellaneous	101
	255,587
<i>Total Operating Cash Receipts</i>	<i>255,587</i>
Operating Cash Disbursements	
Personal Services	10,146
Contractual Services	131,508
Supplies and Materials	12,808
	154,462
<i>Total Operating Cash Disbursements</i>	<i>154,462</i>
<i>Operating Income</i>	<i>101,125</i>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	1,245
Principal Retirement	(5,933)
Other Financing Uses	(737)
	(5,425)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(5,425)</i>
<i>Income before Transfers</i>	<i>95,700</i>
Transfers Out	(85,320)
<i>Net Change in Fund Cash Balances</i>	<i>10,380</i>
<i>Fund Cash Balances, January 1</i>	<i>186,493</i>
<i>Fund Cash Balances, December 31</i>	<i>\$196,873</i>

See accompanying notes to the basic financial statements

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016*

Note 1 - Reporting Entity

The Village of Nevada, Wyandot County, Ohio (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 Wyandot County Sheriff's department to provide security of persons and property. Wyandot East Fire District provides fire protection and rescue services.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization and a public entity risk pool. Note 7 and 12 to the financial statements provides additional information for these entities.

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 the proprietary fund type 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 Fund:

Street Construction Maintenance and Repair Fund 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.

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016*

(Continued)

Water Debt Retirement Fund The Water Debt Retirement fund accounts for the transfers from the water operating fund for the debt payments relating to the Village's Ohio Water Development Authority waterline and plant expansion loan.

Sewer Debt Retirement Fund The Sewer Debt Retirement fund accounts for the transfers from the sewer operating fund for the debt payments relating to the Village's Sewer System Revenue Mortgage Bonds.

Capital Project Fund This fund accounts 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 Capital Project Fund:

Capital Project Fund The Capital Project fund accounted for the payments made by Ohio Public Works Commission for the paving and resurfacing of Village streets and alleys.

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

Water Fund The Water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The Sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

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. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016*

(Continued)

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

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:

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 (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.

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.

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)*

Note 3 - Compliance

Contrary to Ohio law, the Village failed to approve and timely record transfers as required by § 5705.14 and made debt payments from an unallowable fund contrary to Ohio Rev. Code §5705.10(I)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,185	\$35,988	\$15,803
Special Revenue	43,085	49,424	6,339
Debt Service	83,000	85,320	2,320
Capital Projects	11,335	11,335	
Enterprise	233,323	256,832	23,509
Total	\$390,928	\$438,899	\$47,971

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,632	\$32,090	\$20,542
Special Revenue	107,905	45,790	62,115
Debt Service	203,350	94,503	108,847
Capital Projects	11,335	11,335	
Enterprise	447,382	246,452	200,930
Total	\$822,604	\$430,170	\$392,434

Note 5 - Deposits

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

Demand deposits	2016
	\$441,362

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

Note 6 - 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 non-business, owner occupancy, and homestead exemption credits and/or homestead

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)*

and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 - Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016.

Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u><u>\$5,234,206</u></u>

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)*

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village officials 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

Some Village officials contributed 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 plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was two percent during calendar year 2016.

Note 10 - Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System First Mortgage Revenue Bonds	\$757,000	4.5%
Ohio Water Development Authority #2058	57,587	5.5%
Ohio Public Works Commission #CP31I	45,553	0.0%
Ohio Public Works Commission #CT590	28,438	0.0%
Total	<u>\$888,578</u>	

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

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016*

(Continued)

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, 2016 is \$48,940. In addition, during March 2007, the Village established the required sewer debt reserve fund. The balance in the reserve fund at December 31, 2016 is \$58,860. The Revenue Bonds totaled \$1,050,000, 10% of these is \$105,000 so the reserve requirement has not been met, but no monthly transfers of \$875 have been made as required by the covenant.

During 1999, the Village entered into a loan agreement with the Ohio Water Development Authority (OWDA #2058) for a water line project and plant expansion update that was mandated by the Ohio Environmental Protection Agency. The original amount of the loan was \$302,866. The loan will be repaid in semiannual installments over 20 years. Payments on the outstanding balance began in 2002 and the final installment will be due July 1, 2019. The loan is collateralized by water receipts and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village has established and funded a water debt service fund, included as a debt service fund to pay the OWDA loan. The balance in this fund at December 31, 2016 is \$16,039.

During 2006, the Village entered in to a loan agreement with Ohio Public Works Commission (OPWC #CP31I) for south side storm sewer improvement. The original amount of the loan was \$95,900. The loan will be repaid in semiannual installments of \$2,398 over 20 years. Payments on the outstanding balance began in 2007 and final installment will be due January 1, 2027.

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

Amortization

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

Year Ending December 31:	Mortgage Revenue Bonds	OWDA Loan	OPWC Loan #CP31I	OPWC Loan #CT590
2017	\$58,065	\$24,480	\$4,795	\$1,138
2018	57,985	24,812	4,795	1,138
2019	57,860	12,492	4,795	1,138
2020	58,690		4,795	1,138
2021	58,430		4,795	1,138
2022-2026	290,540		21,578	5,687
2027-2031	291,175			5,687
2032-2036	291,550			5,687
2037-2041				5,687
Total	\$1,164,295	\$61,784	\$45,553	\$28,438

**VILLAGE OF NEVADA
WYANDOT COUNTY**

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)*

Note 11 - Miscellaneous Revenues

The Village has miscellaneous revenues in the General fund totaling \$2,807. These revenues consist primarily of the Wyandot East Fire District yearly rent of a building and park donations.

Note 12 - Jointly Governed Organization

The Wyandot East Fire District is a jointly governed organization. The Village of Nevada, Antrim Township, Eden Township, and Tod Township each appoint members to sit on the Fire District Board. The Fire District provides fire protection and rescue services within the District and mutual aid to areas outside the District.

OHIO AUDITOR OF STATE KEITH FABER



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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 Nevada
Wyandot County
P.O. Box 430
Nevada, Ohio 44849-0430

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Nevada, Wyandot County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 4, 2019 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2017-002 and 2017-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-006 through 2017-008 described in the accompanying schedule of findings to be significant deficiencies.

Efficient • Effective • Transparent

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-004, 2017-007 and 2017-008.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

VILLAGE OF NEVADA
WYANDOT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Rev. Code § 5705.39 provides that “total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals.” For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources,” because it includes unencumbered fund balances.

Final appropriations within the Debt Retirement fund exceeded estimated resources by \$16,632 in 2017.

This noncompliance was due to inadequate policies and procedures over the monitoring of budgetary compliance. Allowing appropriations to remain higher than estimated resources increases the possibility appropriations may be unrealistically inflated which could result in deficit spending. Appropriations should have been reduced to the level of the actual resources available for appropriation.

To reduce the possibility of appropriations exceeding estimated resources, the Village Council should monitor appropriations and estimated resources throughout the year to ensure appropriations do not exceed the amount of estimated resources. The Village Council should monitor the budgetary activity of the Village and either approve supplemental appropriations and send to the County Auditor or obtain increased amended certificates of estimated resources in order to stay in compliance with Ohio law.

FINDING NUMBER 2017-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(I) requires that “money paid into any fund shall be used only for the purposes for which such fund is established.”

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

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

The Village properly records ninety-two and one-half percent of revenues noted above in the Street Construction, Maintenance and Repair fund. During 2016, the Village inappropriately recorded \$4,795 of Ohio Public Works Commission South Side Storm Sewer Improvement loan payments from the Street Construction, Maintenance and Repair fund. Given the source of the expenditure, these should have been paid from the Storm Sewer Debt fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2017-003

Noncompliance

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

The Village did not issue any 1099 forms to the independent contractor (\$54,696 in 2016 and \$52,104 in 2017) or its legal counsel in the amount of \$1,237.50 in 2017.

This error was the result of inadequate policies and procedures over the issuance of 1099 forms. Failure to issue Forms 1099 may result in under reported taxable income by independent contractors to the Federal government which could result in assessment of fines and penalties by the Internal Revenue Service and the Ohio Department of Taxation. The Village should establish policies and procedures to verify that payments in excess of \$600 to independent contractors and attorneys are reported on the 1099 form.

This matter will be referred to the IRS for any action they deem appropriate.

FINDING NUMBER 2017-004

Noncompliance

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

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

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

The following noncompliance was noted:

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

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

FINDING NUMBER 2017-005

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires in part, as codified at GASB Cod 1800.165 - .179, fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Errors were noted in the financial statements, resulting in the following audit adjustments:

- Subsequent year appropriations over estimated receipts within the General fund of \$32,150 and \$25,000 were not classified as assigned fund balance as GASB Statement No. 54 requires in 2017 and 2016, respectively.
- Restricted fund balances in the Special Revenue funds of \$114,072 and \$80,443 were not classified as GASB Statement No. 54 requires in 2017 and in 2016, respectively.
- Restricted fund balances in the Debt funds of \$138,936 and \$123,839 were not classified as GASB Statement No. 54 requires in 2017 and 2016, respectively.
- Intergovernmental receipts of \$2,927 and \$2,920 in the General Fund were improperly classified as property taxes in 2017 and 2016, respectively.
- Due to a 2016 loan overpayment, a 2016 Ohio Water Development Authority loan refund in the amount of \$12,672 was improperly recorded as miscellaneous revenue in the Water fund, instead of a reduction of expenditure in the Water Debt Retirement fund.
- Debt interest payments of \$34,065 and \$35,100 in the Sewer Debt Retirement fund were improperly recorded as debt principal payments in 2017 and 2016, respectively.
- In 2016, the Village was the beneficiary of \$11,335 of Ohio Public Works Commission funds sent directly to the vendor. The Fiscal Officer did not record these receipts and related disbursements in the Village's accounting system.

Errors were also noted in the notes to the financial statements, resulting in the following audit adjustments:

- Actual receipts (budgetary basis) in the Special Revenue funds were decreased by \$30,000 in 2016 in order to bring the notes to the financial statements in line with the actual receipt amounts.
- Budgeted receipts amounts in the General fund, Special Revenue fund type, Debt Service fund type, and Enterprise fund type were decreased by \$25,000, \$60,000, \$118,860, and \$168,000 in 2017, respectively, in order to bring the notes to the financial statements in line with the authorized budget amounts.
- Actual receipts (budgetary basis) in the General fund, Special Revenue fund type, Debt Service fund type, and Enterprise fund type were increased by \$5,484, \$33,626, \$876, and \$8,240 in 2017, respectively, in order to bring the notes to the financial statements in line with the actual receipt amounts.
- Appropriations authority amounts in the General fund, Special Revenue fund type, Debt Service fund type, and Enterprise fund type were increased by \$25,000, \$60,000, \$118,860, and \$414,000 in 2017, respectively, in order to bring the notes to the financial statements in line with authorized budget amounts.
- Budgetary expenditures in the General fund, Special Revenue fund type, and Debt Service fund type, were decreased by \$5,484, \$33,626, and \$876; respectively, and increased in the Enterprise fund type by \$241,678 in 2017 in order to bring the notes to the financial statements in line with actual budgetary expenditure amounts.

These errors were the result of inadequate policies and procedures in reviewing the financial statements.

Failure to complete accurate financial statements could lead to Council making misinformed decisions. Additional audit adjustments were made in smaller relative amounts for additional reasons. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Council, to identify and correct errors and omissions. Furthermore, the Fiscal Officer should review Audit Bulletin 2000-008 for information about 'On-Behalf-of' payment, Audit Bulletin 2014-004 for information on GASB Statement No. 54, and refer to the Village Officer's Handbook, to help ensure that all accounts are being properly posted to the financial statements.

FINDING NUMBER 2017-006

Significant Deficiency

Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and Council is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were prepared but not presented to Council for their review each month of 2017 and 2016. Failure to reconcile monthly increases the possibility that the Village will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations and manually issuing checks increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

Errors were noted in the year-end reconciliations financial statements, resulting in audit adjustments:

	Original Reconciliation	Corrected Reconciliation	Variance
Reconciliation as of December 31, 2017:			
Outstanding checks	\$ (8,336.98)	\$ (8,337.02)	\$ (0.04)
Undetermined, not found	(501.07)	-	501.07
Checks understated on books	-	534.09	534.09
Checks overstated on books	-	(164.92)	(164.92)
Receipts overstated on books	-	423.00	423.00
Interest earned and not posted	-	(162.09)	(162.09)
	<u>\$ (8,838.05)</u>	<u>\$ (7,706.94)</u>	<u>\$ 1,131.11</u>

	Original Reconciliation	Corrected Reconciliation	Variance
Reconciliation as of December 31, 2016:			
Outstanding checks	\$ (1,312.50)	\$ (1,471.88)	\$ (159.38)
Undetermined, not found	18.75	-	(18.75)
Checks overstated on books	-	(0.58)	(0.58)
Returned check overstated on books	-	(135.00)	(135.00)
Chase Bank interest overstated	-	6.59	6.59
Receipts understated on books	-	(1.51)	(1.51)
	<u>\$ (1,293.75)</u>	<u>\$ (1,602.38)</u>	<u>\$ (308.63)</u>

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, checks should be generated using the accounting system, and Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

FINDING NUMBER 2017-007

Noncompliance and Significant Deficiency

Ohio Rev. Code §§ 5705.14, 5705.15, & 5705.16 provide guidelines pertaining to allowable inter-fund transfers. **Ohio Rev. Code § 5705.14** provides that inter-fund transfers shall only be made by resolution of the taxing authority. In certain circumstances, which are detailed in Ohio Revised Code § 5705.14, transfers from funds other than the General fund may be made by a resolution passed by a two-thirds vote of the taxing authority.

Transfers from the Water and Sewer funds to the Water and Sewer Debt Retirement funds were allowable although the following errors were noted:

- Transfers in the amount of \$2,220 from the Water fund to the Water Debt Retirement fund and \$4,890 from the Sewer fund to the Sewer Debt Retirement fund, in June of 2016 were not approved until July of 2016.
- Transfers in the amount of \$2,220 from the Water fund to the Water Debt Retirement fund and \$4,890 from the Sewer fund to the Sewer Debt Retirement fund were approved in September and October of 2017 but the transfers into the Water Debt Retirement fund and the Sewer Debt Retirement fund were not recorded until December of 2017, in the amounts of \$4,440 and \$9,780, respectively.
- Transfers in the amount of \$2,220 from the Water fund to the Water Debt Retirement fund and \$4,890 from the Sewer fund to the Sewer Debt Retirement fund were approved in November and December of 2017 but were not recorded until 2018, understating transfers in and out by \$4,440 and \$9,780, respectively.

These errors were the result of inadequate policies and procedures in approving transfers and reviewing the financial statements. Failure to complete accurate financial statements could lead to Council making misinformed decisions. The accompanying financial statements, notes to the financial statements, and accounting records have been adjusted to correct these errors.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Council, to identify and correct errors and omissions.

FINDING NUMBER 2017-008

Noncompliance and Significant Deficiency

Ohio Rev. Code § 5705.10(D) provides in part that "all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose."

The Village inappropriately recorded a 2017 utility special assessment receipt of \$2,142 as property taxes in the General fund. Given the source of the revenue, it should have been recorded as charges for services in the Water fund of \$657 and Sewer fund of \$1,485.

The Village also, inappropriately recorded a 2017 Ohio Bureau of Workers Compensation rebate of \$232 to the General fund. Given the source of the revenue, a portion should have been recorded in the funds from which it was originally paid, \$77 in the Sewer fund and \$77 in the Water fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds. Furthermore, The Fiscal Officer should review Audit Bulletin 2013-007 and record Ohio BWC rebates in accordance with Ohio law.

Officials' Response:

The new Fiscal Officer is working to correct the errors noted above.

Village of Nevada

100 W. Grant St. P.O. Box 430
Nevada, OH 44849
Ph./Fax (740) 482-2833

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding was first reported during the audit of the 2011-2010 financial statements. Material weakness due to errors over financial reporting.	Not corrected. Repeated in this report as Finding 2017-005.	These errors were the result of inadequate policies and procedures in reviewing the financial statements and accompanying notes prior to filing the Village's annual report. The new Fiscal Officer will ensure these are accounted for correctly in the future.
2015-002	Finding was first reported during the audit of the 2015-2014 financial statements. Significant deficiency due to errors in bank reconciliations.	Not corrected. Repeated in this report as Finding 2017-006.	These errors were the result of inadequate policies and procedures in reviewing the monthly bank reconciliations. The new Fiscal Officer will ensure these are accounted for correctly in the future.
2015-003	Finding was first reported during the audit of the 2009-2008 financial statements. Noncompliance over 26 U.S.C § 3402 due to inaccurate and untimely remittances.	Corrected.	
2015-004	Finding was first reported during the audit of the 2009-2008 financial statements. Noncompliance over 26 CFR § 1.6041-1 due to failure to issue forms 1099.	Not corrected. Repeated in this report as Finding 2017-003.	These errors were the result of inadequate policies and procedures in issuing 1099 forms. The new Fiscal Officer will ensure these are accounted for correctly in the future.

2015-005	Finding was first reported during the audit of the 2015-2014 financial statements. Noncompliance and material weakness over ORC § 5705.05 due to paying debt from the General fund.	Corrected.	
2015-006	Finding was first reported during the audit of the 2015-2014 financial statements. Noncompliance and material weakness over ORC § 5705.10(I), due to paying sewer debt from the street construction maintenance and repair fund.	Not corrected. Repeated in this report as Finding 2017-002.	These errors were the result of inadequate policies and procedures in paying sewer debt. The new Fiscal Officer will ensure these are accounted for correctly in the future.
2015-007	Finding was first reported during the audit of the 2015-2014 financial statements. Noncompliance over Sewer System First Mortgage Revenue Bonds Ordinance 1996-08 Section 10.B 4, due to not following debt covenants.	Not corrected. Repeated in this report as Finding 2017-004.	These errors were the result of inadequate policies and procedures in following debt covenants. The new Fiscal Officer will ensure these are accounted for correctly in the future.
2015-008	Finding was first reported during the audit of the 2015-2014 financial statements. Significant deficiency over delinquent utility accounts, due to not following up on utility accounts.	Partially corrected. Repeated in the management letter.	These errors were the result of inadequate policies and procedures in over utility accounts. The new Fiscal Officer will ensure these are accounted for correctly in the future.

OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 19, 2019