

***VILLAGE OF DEXTER CITY  
NOBLE COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





**Auditor of State  
Betty Montgomery**

Village Council  
Village of Dexter City  
P.O. Box 51  
Dexter City, OH 45727

We have reviewed the *Report of Independent Accountants* of the Village of Dexter City, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Dexter City is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

April 13, 2006

**This Page is Intentionally Left Blank.**

**VILLAGE OF DEXTER CITY  
NOBLE COUNTY  
For The Years Ending December 31, 2004 and 2003**

**TABLE OF CONTENTS**

| <u><b>Title</b></u>  | <u><b>Page</b></u> |
|--|--------------------|
| <b>Report of Independent Accountants</b>   | <b>1-2</b>         |
| <b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – All Governmental and Fiduciary Fund Types,<br/>For the Year Ended December 31, 2004</b> | <b>3</b>           |
| <b>Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances – All Governmental and Fiduciary Fund Types,<br/>For the Year Ended December 31, 2003</b> | <b>4</b>           |
| <b>Notes to the Financial Statements</b>   | <b>5-11</b>        |
| <b>Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i></b>           | <b>12-13</b>       |
| <b>Schedule of Audit Findings</b>  | <b>14-19</b>       |
| <b>Schedule of Prior Audit Findings</b>  | <b>20</b>          |

**This Page is Intentionally Left Blank.**

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

## **REPORT OF INDEPENDENT ACCOUNTANTS**

To the Village Council  
Village of Dexter City  
Dexter City, Ohio

We have audited the accompanying financial statements of Village of Dexter City, Noble County, Ohio as and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Dexter City, Noble County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***  
January 26, 2006



VILLAGE OF DEXTER CITY  
NOBLE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

|   | <u>Governmental Fund Types</u> |                            | <u>Fiduciary<br/>Fund Type</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|---|--------------------------------|----------------------------|--------------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Nonexpendable<br/>Trust</u> |   |
| Receipts:                                       |                                |                            |                                |   |
| Property Taxes and Other Local Taxes            | \$ 1,886                       | -                          | -                              | \$ 1,886                                |
| Intergovernmental                               | 12,676                         | \$ 9,719                   | -                              | 22,395                                  |
| Interest  | 20                             | 280                        | \$ 42                          | 342                                     |
| Miscellaneous                                   | 186                            | -                          | -                              | 186                                     |
| <b>Total Receipts</b>                           | <b><u>14,768</u></b>           | <b><u>9,999</u></b>        | <b><u>42</u></b>               | <b><u>24,809</u></b>                    |
| Disbursements:                                  |                                |                            |                                |   |
| General Government                              | 8,502                          | 1,226                      | -                              | 9,728                                   |
| Security of Persons & Property                  | 3,682                          | -                          | -                              | 3,682                                   |
| Public Health Services                          | -                              | -                          | 31                             | 31                                      |
| Public Works                                    | -                              | 7,659                      | -                              | 7,659                                   |
| Leisure Time Activities                         | 3,163                          | -                          | -                              | 3,163                                   |
| Basic Utility Services                          | 2,510                          | -                          | -                              | 2,510                                   |
| <b>Total Disbursements</b>                      | <b><u>17,857</u></b>           | <b><u>8,885</u></b>        | <b><u>31</u></b>               | <b><u>26,773</u></b>                    |
| <b>Total Receipts Over(Under) Disbursements</b> | <b>(3,089)</b>                 | <b>1,114</b>               | <b>11</b>                      | <b>(1,964)</b>                          |
| Fund Balance 1/1/2004                           | <u>15,781</u>                  | <u>16,153</u>              | <u>9,120</u>                   | <u>41,054</u>                           |
| Fund Balance 12/31/2004                         | <u>\$ 12,692</u>               | <u>\$ 17,267</u>           | <u>\$ 9,131</u>                | <u>\$ 39,090</u>                        |
| Reserve for Encumbrances 12/31/2004             | <u>\$ 500</u>                  | <u>\$ -</u>                | <u>\$ -</u>                    | <u>\$ 500</u>                           |

See accompanying Notes to the Financial Statements.

VILLAGE OF DEXTER CITY  
NOBLE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003

|  | Governmental Fund Types |                    | Fiduciary<br>Fund Type | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|------------------------|--------------------------------|
|  | General                 | Special<br>Revenue | Nonexpendable<br>Trust |                                |
| Receipts:                                |                         |                    |                        |                                |
| Property Taxes and Other Local Taxes     | \$ 1,901                | \$ -               | -                      | \$ 1,901                       |
| Intergovernmental                        | 12,676                  | 9,806              | -                      | 22,482                         |
| Interest                                 | 45                      | 384                | \$ 48                  | 477                            |
| Miscellaneous                            | 257                     | 400                | -                      | 657                            |
| <b>Total Receipts</b>                    | <b>14,879</b>           | <b>10,590</b>      | <b>48</b>              | <b>25,517</b>                  |
| Disbursements:                           |                         |                    |                        |                                |
| General Government                       | 9,991                   | -                  | -                      | 9,991                          |
| Security of Persons & Property           | 3,679                   | -                  | -                      | 3,679                          |
| Public Health Services                   | -                       | -                  | 250                    | 250                            |
| Public Works                             | -                       | 7,378              | -                      | 7,378                          |
| Leisure Time Activities                  | 1,783                   | -                  | -                      | 1,783                          |
| Basic Utility Services                   | 2,138                   | -                  | -                      | 2,138                          |
| <b>Total Disbursements</b>               | <b>17,591</b>           | <b>7,378</b>       | <b>250</b>             | <b>25,219</b>                  |
| Total Receipts Over(Under) Disbursements | (2,712)                 | 3,212              | (202)                  | 298                            |
| Fund Balance 1/1/2003                    | 18,493                  | 12,941             | 9,322                  | 40,756                         |
| Fund Balance 12/31/2003                  | <b>\$ 15,781</b>        | <b>\$ 16,153</b>   | <b>\$ 9,120</b>        | <b>\$ 41,054</b>               |

See accompanying Notes to the Financial Statements.

**VILLAGE OF DEXTER CITY**  
**NOBLE COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Dexter City, (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street maintenance, recreation services and cemetery maintenance.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**VILLAGE OF DEXTER CITY**  
**NOBLE COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

D. FUND ACCOUNTING - (Continued)

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. Special revenue funds follow:

- Street Construction Maintenance and Repair
- State Highway
- Cemetery

Fiduciary Fund Type:

The Village has two nonexpendable trust funds, which are used to account for resources restricted by legally binding trust agreements. The Village has the following fiduciary funds:

- Nonexpendable Trust – Cemetery Bequest Endowment
- Nonexpendable Trust – Bode Estate Trust

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

**VILLAGE OF DEXTER CITY  
NOBLE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. BUDGETARY PROCESS

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Clerk sends the county auditor a certificate to which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue. The amounts reported in the budgetary footnote reflect the amounts in the final amended certificates issued during 2003 and 2004.

Budget receipts, as shown in footnote number 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the fund level. The Village did not encumber expenditures during the period.

**VILLAGE OF DEXTER CITY  
NOBLE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

3. Encumbrances

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of budgetary activity appears in Note 4.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

|                                |                  |                  |
|--------------------------------|------------------|------------------|
|                                | <u>2004</u>      | <u>2003</u>      |
| Demand deposits                | \$ 10,490        | \$ 12,454        |
| Certificate of deposit         | <u>28,600</u>    | <u>28,600</u>    |
| Total deposits and investments | <u>\$ 39,090</u> | <u>\$ 41,054</u> |

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

3. PROPERTY TAX

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

**VILLAGE OF DEXTER CITY**  
**NOBLE COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2004 and 2003**

3. PROPERTY TAX - (Continued)

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village.

The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax.

The Noble County Treasurer collects property tax on behalf of all taxing Villages within the county. The Noble County Auditor periodically remits to the taxing Village their portions of the taxes collected.

4. BUDGETARY

Budgetary activity for the year ended December 31, 2004 follows:

| <u>Fund</u>           | <u>2004 Budgeted vs Actual Receipts</u> |                            |                 |
|-----------------------|---|----------------------------|-----------------|
|                       | <u>Budgeted<br/>Receipts</u>            | <u>Actual<br/>Receipts</u> | <u>Variance</u> |
| General Fund          | \$ 14,660                               | \$ 14,768                  | \$ 108          |
| Special Revenue Funds | 8,350                                   | 9,999                      | 1,649           |
| Nonexpendable Trust   | 50                                      | 42                         | (8)             |

| <u>Fund</u>           | <u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u> |                                   |                 |
|-----------------------|---|-----------------------------------|-----------------|
|                       | <u>Appropriation<br/>Authority</u>                          | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u> |
| General Fund          | \$ 22,875   | \$ 18,357                         | \$ 4,518        |
| Special Revenue Funds | 32,400  | 8,885                             | 23,515          |
| Nonexpendable Trust   | 300   | 31                                | 269             |

**VILLAGE OF DEXTER CITY  
NOBLE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

4. BUDGETARY – (Continued)

Budgetary activity for the year ended December 31, 2003 follows:

| <u>Fund</u>           | <u>2003 Budgeted vs Actual Receipts</u> |                            |                 |
|-----------------------|---|----------------------------|-----------------|
|                       | <u>Budgeted<br/>Receipts</u>            | <u>Actual<br/>Receipts</u> | <u>Variance</u> |
| General Fund          | \$ 17,918                               | \$ 14,879                  | \$ (3,039)      |
| Special Revenue Funds | 6,871                                   | 10,590                     | 3,719           |
| Nonexpendable Trust   | 100                                     | 48                         | (52)            |

| <u>Fund</u>           | <u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u> |                                   |                 |
|-----------------------|---|-----------------------------------|-----------------|
|                       | <u>Appropriation<br/>Authority</u>                          | <u>Budgetary<br/>Expenditures</u> | <u>Variance</u> |
| General Fund          | \$ 22,875   | \$ 17,591                         | \$ 5,284        |
| Special Revenue Funds | 32,400  | 7,378                             | 25,022          |
| Nonexpendable Trust   | 300   | 250                               | 50              |

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. OPERS participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of their wages. The Village has paid all contributions required through December 31, 2004.

The Village's elected officials are members of the Social Security plan. The Village has paid all required contributions through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**VILLAGE OF DEXTER CITY  
NOBLE COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2004 and 2003**

7. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits.

8. BUDGETARY NONCOMPLIANCE

The Village had the following material citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41 (D)(1)**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.09**, the Village did not establish funds for monies received from FEMA and permissive motor vehicle tax.
- Contrary to **Ohio Rev. Code Section 5705.39**, the Village had appropriations which exceeded estimated resources.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures which exceeded appropriations at the legal level of control.

Rockefeller Building  
614 W Superior Ave Ste1242  
Cleveland OH 44113-1306  
Phone - (216) 575-1630  
Fax - (216) 436-2411

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

---

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

To the Village Council  
Village of Dexter City  
Dexter City, Ohio

We have audited the financial statements of the Village of Dexter City, Noble County, Ohio (Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 26, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-VDCNC-001 and 2004-VDCNC-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we believe none of the reportable conditions described above are material weaknesses.

We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 26, 2006.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2004-VDCNC-003 through 2004-VDCNC-007.

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

***Charles E. Harris and Associates, Inc.***

January 26, 2006

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003

|  |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

**FINDING NUMBER 2004-VDCNC-001**

**Review of Monthly Reports and Evidence of Review**

There was no evidence of Council's review and acceptance of the following reports:

- The Clerk's monthly bank reconciliation and monthly fund balance summary
- Monthly budget versus actual receipts and disbursements

To improve monitoring controls over the Village's financial activity, Council should document receipt and review of these reports within the minutes. Also, a designated Council member should sign or initial and date these reports as evidence of review.

Management will consider implementing this recommendation.

**FINDING NUMBER 2004-VDCNC-002**

**Receipts and Appropriation Ledgers and Cash Journal**

The following weaknesses were noted in the Village's recording of receipts and disbursements and budgetary information:

- Certified estimated receipts were not posted to the Village's receipts ledgers and appropriations were not posted to the Village's appropriations ledger.
- Budget to Actual statements were not prepared and reviewed by Council.

This lack of proper recording, could lead to inaccurate reporting of revenues and disbursements. In addition, the comparison of budget to actual activity is crucial to management's ability to monitor the progress of expected revenue collections and availability of monies to spend.

Management will consider implementing this recommendation.

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2004 AND 2003

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

**FINDING NUMBER 2004-VDCNC-003**

Ohio Rev. Code Section 5705.41(D) (1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required or the order or contract has been lawfully appropriated and is the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

Amounts of less than \$1,000 (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During 2004 and 2003, the Fiscal Officer did not certify any expenditure prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance. To avoid overspending, the Village should certify the availability of funds prior to incurring the obligation for expenditure.

Management will consider implementing this recommendation.

**FINDING NUMBER 2004-VDCNC-004**

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2004 AND 2003

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

**FINDING NUMBER 2004-VDCNC-004**  
**(Continued)**

During the year-end December 31, 2004, total appropriations exceeded total estimated resources at year-end as follows:

| <b>Fund</b>                      | <b>Estimated Resources</b> | <b>Appropriations</b> | <b>Variance</b> |
|----------------------------------|----------------------------|-----------------------|-----------------|
| Special Revenue funds:           |                            |                       |                 |
| Street Maintenance & Repair Fund | \$ 23,566                  | \$ 32,100             | \$ (8,534)      |

During the year-end December 31, 2003, total appropriations exceeded total estimated resources at year-end as follows:

| <b>Fund</b>                      | <b>Estimated Resources</b> | <b>Appropriations</b> | <b>Variance</b> |
|----------------------------------|----------------------------|-----------------------|-----------------|
| Special Revenue funds:           |                            |                       |                 |
| Street Maintenance & Repair Fund | \$ 19,200                  | \$ 32,100             | \$(12,900)      |

Village Council should monitor appropriations versus estimated resources to help avoid overspending.

Management will monitor appropriations and resources closer.

**FINDING NUMBER 2004-VDCNC-005**

Ohio Rev. Code Section 5705.41(B) requires no subdivision or taxing authority to expend money unless it has been appropriated.

The Village's legal level of control is the at the object level. We noted the following funds had expenditures that exceeded appropriations at the object level at December 31, 2003:

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS – (Continued)

DECEMBER 31, 2004 AND 2003

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

**FINDING NUMBER 2004-VDCNC-005**  
(Continued)

| Fund   | Function                    | Object Level                       | Approved Appropriations | Expenditures | Variance |
|--|-----------------------------|------------------------------------|-------------------------|--------------|----------|
| General Fund                                     | Parks                       | Salaries                           | \$ 1,000                | \$ 1,132     | \$ (132) |
|  | Basic Utilities             | Electric                           | 375                     | 799          | (424)    |
|  |                             | Gas                                | 400                     | 495          | (95)     |
|  |                             | Water                              | 200                     | 242          | (42)     |
|  |                             | Mayor's Office                     | Supplies                | 200          | 275      |
|  | Board's & Commissions       | Auditor of State Fees              | 1,000                   | 2,278        | (1,278)  |
| Special Revenue Funds:                           |                             |                                    |                         |              |          |
| Street Construction, Maintenance and Repair Fund | Street Maintenance & Repair | Supplies                           | 1,000                   | 1,136        | (136)    |
|  |                             | Street Cleaning & Snow/Ice Removal | 1,000                   | 2,658        | (1,658)  |
|  | General Government          | Auditor of State fees              | -0-                     | 1,226        | (1,226)  |
| State Highway Fund                               | Traffic Signals & Signs     | Supplies                           | 200                     | 313          | (113)    |

We noted the following funds had expenditures that exceeded appropriations at the object level at December 31, 2004:

| Fund         | Function         | Object Level      | Approved Appropriations | Expenditures | Variance |
|--------------|------------------|-------------------|-------------------------|--------------|----------|
| General Fund | Parks            | Salaries          | \$ 1,000                | \$ 1,255     | \$ (255) |
|              |                  | Basic Utilities   | Electric                | 375          | 588      |
|              |                  | Gas               | 400                     | 521          | (121)    |
|              |                  | Water             | 200                     | 375          | (175)    |
|              |                  | Refuse Collection | 500                     | 589          | (89)     |
|              | Mayor's Office   | Salaries          | 1,000                   | 1,377        | (377)    |
|              | Clerk, Treasurer | Salaries          | 1,950                   | 2,278        | (328)    |

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS – (Continued)

DECEMBER 31, 2004 AND 2003

|  |
|--|
| <p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p> |
|--|

**FINDING NUMBER 2004-VDCNC-005**  
(Continued)

| <b>Fund</b>                                      | <b>Function</b>                    | <b>Object Level</b>  | <b>Approved Appropriations</b> | <b>Expenditures</b> | <b>Variance</b> |
|--|------------------------------------|----------------------|--------------------------------|---------------------|-----------------|
| General Fund                                     | Boards & Commissions               | County Auditor Fees  | \$ 100                         | \$ 124              | \$ (24)         |
|  |                                    | Withholding Taxes    | 1,000                          | 1,103               | (103)           |
| Special Revenue Funds:                           |                                    |                      |                                |                     |                 |
| Street Construction, Maintenance and Repair Fund | Street Maintenance & Repair        | Supplies             | 1,000                          | 1,032               | (32)            |
|  | Street Cleaning & Snow/Ice Removal | Salaries             | 1,000                          | 3,151               | (2,151)         |
|  | Storm Sewer & Drains               | Contractual Services | 1,000                          | 1,744               | (744)           |
| State Highway Fund                               | Traffic Signals & Signs            | Supplies             | 200                            | 328                 | (128)           |

We recommend that the Village Council and the Clerk compare expenditures to appropriations periodically. If additional appropriations are needed, then Council and the Clerk should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management will monitor expenditures at the legal level of control to avoid exceeding appropriations.

**FINDING NUMBER 2004-VDCNC-006**

Ohio Rev. Code Section 5705.09 states that each subdivision is required to establish a special fund for each class of revenues derived from sources other than general property tax, which the law requires to be used for a particular purpose.

During 2004 and 2003, the Village received monies from a permissive motor vehicle license tax levied by Noble County under Ohio Revised Code Section 4504.15. The Village did not establish a Permissive Motor Vehicle License Tax fund, Special Revenue Fund type, to record the receipts and expenditures from proceeds of this tax. Per Auditor of State-Management Advisory Services Bulletin 88-16, the Village should receipt the proceeds of such levy into a Permissive Motor Vehicle License Tax Fund, a Special Revenue Fund type, under the Intergovernmental Revenue receipts classification.



VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2004 AND 2003

|  |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

**FINDING NUMBER 2004-VDCNC-006**  
(Continued)

During 2003, the Village received monies from FEMA for a snow emergency. The Village did not establish a FEMA fund, a Special Revenue Fund type, to record the receipts and expenditures associated with this grant.

We recommend that the Village establish a Motor Vehicle License Tax Fund, a Special Revenue Fund type, and record all receipts and expenditures from the permissive motor vehicle license tax levy into this fund. Village officials can review Auditor of State-Management Advisory Services Bulletin 88-16 for guidance. Additionally, the Village should establish a FEMA fund, a Special Revenue Fund type, to record all receipts and expenditures related to the FEMA grants.

Management will establish necessary funds as required by the Ohio Rev. Code.

**FINDING NUMBER 2004-VDCNC-007**

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund may only be used for the purpose for which the fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2004 and 2003, the Village's Walking Track Fund, a Special Revenue Fund type, had a negative balance of \$7,327. This negative balance is the result of prior audit adjustments.

We recommend the Clerk/Treasurer monitor cash balances and ensure expenditures are made only from funds whose purpose is consistent with that expenditure's purpose.

Management will attempt to correct this negative balance.

VILLAGE OF DEXTER CITY  
NOBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

| FINDING NUMBER | FUNDING SUMMARY   | FULLY CORRECTED? | Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain |
|----------------|---|------------------|--|
| 2002-001       | Contrary to Ohio Rev. Code Section 5705.14, the Village transferred money from the Street Construction Maintenance and Repair Fund, Special Revenue Fund Type, for the construction of a walking track. | Yes              | Village made no such transfer during the audit period.   |
| 2002-002       | Contrary to Ohio Rev. Code Section 5735.27(A)(1), the Village erected a picnic shelter with money from the Street Construction, Maintenance and Repair Fund, a Special Revenue Fund type.               | Yes              | Village made no such payment during the audit period.  |
| 2002-003       | Contrary to Ohio Rev. Code Section 5705.09, the Village did not establish a special fund for monies received from a permissive motor vehicle license tax and Issue II.                                  | No               | Repeated as finding number 2004-VDCNC-006.   |
| 2002-004       | Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.  | No               | Repeated as finding number 2004-VDCNC-005.   |
| 2002-005       | Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify expenditures.  | No               | Repeated as finding number 2004-VDCNC-003  |
| 2002-006       | Contrary to Ohio Rev. Code Section 5705.10, the Village had a deficit fund balance in the Walking Track Fund, a Special Revenue Fund.   | No               | Repeated as finding number 2004-VDCNC-007  |



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF DEXTER CITY**

**NOBLE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**