



Dave Yost • Auditor of State

VILLAGE OF DESHLER
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2015	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2015	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2014	8
Notes to the Financial Statements	9
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings	25

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Deshler
Henry County
101 East Main Street
Deshler, Ohio 43516-1286

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 Deshler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 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, 2015 and 2014, or 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 combined cash balances of the Village of Deshler, Henry County, Ohio as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Income Tax Fund activity should have been included and presented as part of the General Fund. As such, all activity, including beginning balance for 2014, was reclassified, resulting in restatement of beginning fund balance. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2016

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**VILLAGE OF DESHLER
HENRY COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$124,130	\$5,483	\$5,929	\$135,542
Municipal Income Tax	331,028			331,028
Intergovernmental	69,749	142,217	995,345	1,207,311
Charges for Services	46,865			46,865
Fines, Licenses and Permits	19,123			19,123
Earnings on Investments	4,567	20		4,587
Miscellaneous	26,923	1,810		28,733
<i>Total Cash Receipts</i>	<u>622,385</u>	<u>149,530</u>	<u>1,001,274</u>	<u>1,773,189</u>
Cash Disbursements				
Current:				
Security of Persons and Property	228,605			228,605
Public Health Services	7,000			7,000
Leisure Time Activities	1,514	5,185		6,699
Community Environment	7,720			7,720
Basic Utility Services	1,489			1,489
Transportation	1,000	199,262		200,262
General Government	144,956			144,956
Capital Outlay	26,571	587	1,982,806	2,009,964
Debt Service:				
Principal Retirement	32,892		10,780	43,672
<i>Total Cash Disbursements</i>	<u>451,747</u>	<u>205,034</u>	<u>1,993,586</u>	<u>2,650,367</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>170,638</u>	<u>(55,504)</u>	<u>(992,312)</u>	<u>(877,178)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			1,024,382	1,024,382
Sale of Capital Assets	900			900
Transfers In		35,000	10,780	45,780
Transfers Out	(123,828)			(123,828)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(122,928)</u>	<u>35,000</u>	<u>1,035,162</u>	<u>947,234</u>
<i>Net Change in Fund Cash Balances</i>	47,710	(20,504)	42,850	70,056
<i>Fund Cash Balances, January 1</i>	<u>273,537</u>	<u>36,100</u>	<u>4,768</u>	<u>314,405</u>
Fund Cash Balances, December 31				
Restricted		15,596	41,059	56,655
Committed			6,559	6,559
Unassigned	321,247			321,247
<i>Fund Cash Balances, December 31</i>	<u>\$321,247</u>	<u>\$15,596</u>	<u>\$47,618</u>	<u>\$384,461</u>

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

**VILLAGE OF DESHLER
HENRY COUNTY**

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

	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,644,837
Operating Cash Disbursements	
Personal Services	595,678
Employee Fringe Benefits	192,088
Contractual Services	1,849,200
Supplies and Materials	168,700
Other	13,216
	2,818,882
<i>Total Operating Cash Disbursements</i>	2,818,882
<i>Operating Income</i>	825,955
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	166,210
Miscellaneous Receipts	51,114
Capital Outlay	(581,846)
Principal Retirement	(272,043)
Interest and Other Fiscal Charges	(29,009)
	(665,574)
<i>Total Non-Operating Receipts (Disbursements)</i>	(665,574)
<i>Income before Transfers</i>	160,381
Transfers In	78,048
<i>Net Change in Fund Cash Balances</i>	238,429
<i>Fund Cash Balances, January 1</i>	2,853,631
<i>Fund Cash Balances, December 31</i>	\$3,092,060

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$128,188	\$5,589	\$6,036	\$139,813
Municipal Income Tax	271,456			271,456
Intergovernmental	45,633	115,473	59,087	220,193
Charges for Services	14,500			14,500
Fines, Licenses and Permits	17,061			17,061
Earnings on Investments	5,705	5		5,710
Miscellaneous	5,582	3,006		8,588
<i>Total Cash Receipts</i>	<u>488,125</u>	<u>124,073</u>	<u>65,123</u>	<u>677,321</u>
Cash Disbursements				
Current:				
Security of Persons and Property	186,191			186,191
Public Health Services	6,000			6,000
Leisure Time Activities	16,585	7,190		23,775
Community Environment	7,301			7,301
Basic Utility Services	1,368			1,368
Transportation	1,000	113,248		114,248
General Government	132,895			132,895
Capital Outlay	46,874	18,938	479,699	545,511
Debt Service:				
Principal Retirement	27,119		10,780	37,899
Interest and Fiscal Charges	815			815
<i>Total Cash Disbursements</i>	<u>426,148</u>	<u>139,376</u>	<u>490,479</u>	<u>1,056,003</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>61,977</u>	<u>(15,303)</u>	<u>(425,356)</u>	<u>(378,682)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			104,695	104,695
Transfers In		46,000	10,780	56,780
Transfers Out	(136,935)			(136,935)
Other Financing Uses	(777)			(777)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(137,712)</u>	<u>46,000</u>	<u>115,475</u>	<u>23,763</u>
<i>Net Change in Fund Cash Balances</i>	<u>(75,735)</u>	<u>30,697</u>	<u>(309,881)</u>	<u>(354,919)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>349,272</u>	<u>5,403</u>	<u>314,649</u>	<u>669,324</u>
Fund Cash Balances, December 31				
Restricted		36,100	4,768	40,868
Assigned	1,521			1,521
Unassigned	272,016			272,016
<i>Fund Cash Balances, December 31</i>	<u>\$273,537</u>	<u>\$36,100</u>	<u>\$4,768</u>	<u>\$314,405</u>

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,841,886
Operating Cash Disbursements	
Personal Services	600,645
Employee Fringe Benefits	188,757
Contractual Services	2,290,000
Supplies and Materials	185,849
Other	16,606
<i>Total Operating Cash Disbursements</i>	3,281,857
<i>Operating Income</i>	560,029
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	370,000
Miscellaneous Receipts	53,844
Capital Outlay	(263,400)
Principal Retirement	(234,069)
Interest and Other Fiscal Charges	(19,776)
<i>Total Non-Operating Receipts (Disbursements)</i>	(93,401)
<i>Income before Transfers</i>	466,628
Transfers In	80,155
<i>Net Change in Fund Cash Balances</i>	546,783
<i>Fund Cash Balances, January 1</i>	2,306,848
<i>Fund Cash Balances, December 31</i>	\$2,853,631

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Deshler, Henry County, Ohio, (the Village) as a body corporate and politic. A publicly-elected seven-member Council directs the Village. The Village provides water, electric, gas, and sewer utilities, park operations, fire, and police services. The Village appropriates general fund monies to support a volunteer fire department.

The Village participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 8 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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 Village 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.

C. Deposits and Investments

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

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Permissive Tax Fund – This fund receives money from the State for repairing Village Streets.

3. Capital Project Funds

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

Sewer Capital Improvements Fund – This fund receives money from loans and grants for sewer capital improvements.

Water Capital Improvements Fund – This fund receives money from loans and grants for water capital improvements.

Fire Department Capital Improvements Fund – This fund received a loan to purchase a new fire truck.

4. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Fund - This fund receives charges for services from residents to cover electric service costs.

Gas Operating Fund - This fund receives charges for services from residents to cover natural gas service costs.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

5. 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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

Village Ordinance No. 1543 §14, requires funds generated by the Village’s income tax be paid into the General Fund of the Village. Monies received from the Village’s income tax were not paid into the General Fund. Instead, these monies were paid into a Special Revenue Fund (Income Tax Fund) then distributed to various funds in each year of the audit period. Given the improper classification of the income tax receipts and related expenditures, adjustments were made to properly reclassify the Income Tax Fund’s activity for 2014 and 2015 as General Fund activity; this includes reallocating beginning balance in the Income Tax Fund to the General Fund. The reallocation of these revenues and related fund expenses had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2013	Reallocation of Income Tax Fund	Fund Balance at January 1, 2014
General Fund	\$ 2,541	\$ 346,731	\$ 349,272
Special Revenue Fund	352,134	(346,731)	5,403

3. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Electric Fund holds a loan with the Village’s Municipal Gas Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. EQUITY IN POOLED DEPOSITS – (Continued)

	2015	2014
Demand deposits	\$2,740,388	\$2,386,247
Certificates of deposit	710,931	710,931
Municipal Gas Fund Loan	25,202	70,858
Total deposits	\$3,476,521	\$3,168,036

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$922,020	\$623,285	(\$298,735)
Special Revenue	272,909	184,530	(88,379)
Capital Projects	2,889,316	2,036,436	(852,880)
Enterprise	3,950,372	3,940,209	(10,163)
Total	\$8,034,617	\$6,784,460	(\$1,250,157)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,051,451	\$575,575	\$475,876
Special Revenue	305,135	205,034	100,101
Capital Projects	2,889,317	1,993,586	895,731
Enterprise	5,410,183	3,701,780	1,708,403
Total	\$9,656,086	\$6,475,975	\$3,180,111

2014 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$832,786	\$488,125	(\$344,661)
Special Revenue	222,731	170,073	(52,658)
Capital Projects	822,982	180,598	(642,384)
Enterprise	3,945,999	4,345,885	399,886
Total	\$5,824,498	\$5,184,681	(\$639,817)

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. BUDGETARY ACTIVITY – (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,009,137	\$563,860	\$445,277
Special Revenue	215,835	139,376	76,459
Capital Projects	547,445	490,479	56,966
Enterprise	5,071,203	3,799,102	1,272,101
Total	\$6,843,620	\$4,992,817	\$1,850,803

5. PROPERTY TAX

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

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

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.00 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission - Main Street Improvements	\$183,260	0.00%
Ohio Public Works Commission - Well Field Development	24,969	0.00%
Ohio Public Works Commission - WWTP and Pump Station	367,406	0.00%
Department of Commerce Loan - Fire Truck	250,000	0.00%
Ford Motor Credit Company - Police Cruiser Lease	22,612	6.30%
Municipal Gas Loan	25,202	3.00%
Ohio Water Development Authority - Sanitary Sewer Separation	943,143	0.00%
Ohio Water Development Authority - Water Treatment Plant	1,134,262	2.65%
Ohio Water Development Authority - Water Meters and Water Tower	312,963	3.45%
Ohio Water Development Authority - Pump Station and Lagoon Improvements	906,066	0.78%
Corn City State Bank - Gas Project	307,087	3.75%
Corn City State Bank - Police Cruiser	34,732	3.81%
Corn City State Bank - Bucket Truck	148,081	3.02%
Total	<u><u>\$4,659,783</u></u>	

The Ohio Public Works Commission (OPWC) Main Street Improvement loan relates to the Main Street revitalization project. This loan will be repaid in semi-annual payments of \$5,390 for 20 years. This loan is secured by the Village's income tax revenue.

The Ohio Public Works Commission (OPWC) Well Field Development loan relates to a well field development project. This loan will be repaid in semi-annual installments of \$960 for 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Public Works Commission (OPWC) Waste Water Treatment Plant (WWTP) and Pump Station loan relates to the pump station and lagoon project. This loan will be repaid in semi-annual payments for 30 years. As of December 31, 2015, loan amounts have not been finalized; therefore, a schedule of future payments has not been included for this loan.

The Department of Commerce loan is for the purchase of a new fire truck. This loan will be repaid in quarterly payments of \$5,000 over a 15 year period. This loan is secured by the revenues from the Village's income tax revenue.

The Ford Motor Credit Company is a lease for a new 2015 police cruiser. This loan will be repaid in semi-annual payments of \$4,958.49. At the end of the lease, the Village has the option to purchase it for \$1. This loan is secured by the Village's income tax revenue.

The Municipal Gas Loan is an obligation of the Gas Fund to the Electric Fund for the purpose of initial capitalization of the gas system. The annual loan repayment commenced in 2012 after the gas system became operational and will continue on the anniversary day thereafter until principal is paid. The loan is secured by the revenues from the gas system.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. DEBT – (Continued)

The Ohio Water Development Authority (OWDA) Loan 4648 relates to an Environmental Protection Agency mandated project to separate the sanitary sewer lines from the current sewer system. The Village installed new taps to owners' properties. The loan will be repaid in semi-annual payments over 20 years. The loan is secured by revenues from the Village's sewer system.

The Ohio Water Development Authority (OWDA) Loan 5481 relates to an Environmental Protection Agency project for the construction of a water treatment plant. The loan will be repaid in semi-annual payments over 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Water Development Authority (OWDA) Loan 6190 relates to the purchase of water meters and blasting and repainting of the existing water tower. The loan will be repaid in semi-annual payments over 30 years. The loan is secured by the revenues from the Village's water system.

The Ohio Water Development Authority (OWDA) Loan 6913 relates to the pump station and lagoon improvements project. The loan will be repaid in semi-annual payments over 30 years. The loan is secured by the revenues from the Village's water system. As of December 31, 2015, loan amounts have not been finalized; therefore, a schedule of future payments has not been included for this loan.

The Corn City State Bank – Gas Loan relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,003 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Corn City State Bank – Police Cruiser loan is for a 2016 police cruiser with semi-annual payments of \$3,848 over 5 years. The loan is secured by the Village's income tax revenue.

The Corn City State Bank – Bucket Truck loan is for the purchase of a new bucket truck for the Village's electric department. The loan will be repaid in monthly payments of \$2,988 over five years. The loan is secured by the revenues from the Village's Electric Fund.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. DEBT – (Continued)

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

Year ending December 31:	OPWC Loans	Department of Commerce	Ford Motor Credit Company	Municipal Gas Loan	OWDA Loans	Corn City State Bank Loans
2016	\$12,701	\$20,000	\$9,917	\$26,613	\$169,976	\$103,593
2017	24,948	20,000	9,917		169,976	103,594
2018	24,948	20,000	4,958		169,976	103,593
2019	24,947	20,000			169,976	103,594
2020	24,948	20,000			169,976	82,674
2021-2025	124,738	100,000			849,880	220,135
2026-2030	120,896	50,000			612,777	
2031-2035	82,794				127,163	
2036-2040	61,234				90,574	
2041-2045	61,234				27,172	
2046-2050	12,247					
Total	<u>\$575,635</u>	<u>\$250,000</u>	<u>\$24,792</u>	<u>\$26,613</u>	<u>\$2,557,446</u>	<u>\$717,183</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$172,913. The Village received a credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants, and made payments of \$143,800 leaving a net credit balance of impaired cost estimate of \$16,112. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable. Since March 31, 2014, the Village has made payments of \$10,400 to AMP toward its net impaired cost estimate. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,328, and interest credited to the Village has been \$366, resulting in a net credit balance at December 31, 2015 of \$25,550.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RETIREMENT SYSTEMS

A. Ohio Police and Fire Pension Fund and Ohio Public Employees Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OP&F participants contributed the following percentage of their wages: for the period January 1, 2014 through June 30, 2014 10.75%; for the period July 1, 2014 through June 30, 2015 11.5%; and for the period July 1, 2015 through December 31, 2015 12.25%. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

B. Social Security

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. The Mayor is the only elected official receiving Social Security. The Council's liability is 6.2% of wages paid.

9. RISK MANAGEMENT

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

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

9. RISK MANAGEMENT – (Continued)

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

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

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

10. TRANSFERS

In 2015, the Village made the following transfers:

- The General Fund transferred \$68,039 to the Electric Fund for inside kilowatt taxes and CD interest; \$9 to the Electric Deposit Fund for CD interest; \$10,000 to the Street Construction, Maintenance and Repair Fund, \$25,000 to the Permissive Motor Vehicle License Tax Fund, and \$10,000 to the Swimming Pool Operating Fund for general operating expenses; and \$10,780 to the Main Street Renovation Capital Projects Fund to make loan payments.

In 2014, the Village made the following transfers:

- The General Fund transferred \$70,148 to the Electric Fund for inside kilowatt taxes and CD interest; \$7 to the Electric Deposit Fund for CD interest; \$35,000 to the Street Construction, Maintenance and Repair Fund, \$1,000 to the Memorial Field Recreation Fund, \$10,000 to the Permissive Motor Vehicle License Tax Fund, and \$10,000 to the Swimming Pool Operating Fund for general operating expenses; and \$10,780 to the Main Street Renovation Capital Projects Fund to help finance improvement to the Village's Main Street Improvements project.

11. COMPLIANCE

Contrary to Village Ordinance No.1543 §14 and Ohio Rev. Code §5705.10, the Village posted funds generated by the Village's income tax to a separate Income Tax Fund instead of to the Village's General Fund, resulting in a restatement of beginning fund balance and reclassification of all Income Tax Fund activity to the General Fund.

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Dave Yost • Auditor of State

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

Village of Deshler
Henry County
101 East Main Street
Deshler, Ohio 43516-1286

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 Deshler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated October 28, 2016 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. In addition, January 1, 2014 balances for General and Special Revenue Funds have been restated to correctly report income tax activity in the General Fund.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 28, 2016

**VILLAGE OF DESHLER
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness - Financial Reporting

The Village's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements, resulting in the following audit adjustments:

- Intergovernmental revenues of \$288,340 within the Sewer Capital Improvement Fund were recorded as debt proceeds in 2015;
- Additions of \$40,608 to the Village's Pump Station and Lagoon Project loan through OWDA at the end of December 2015 were not properly recorded as capital outlay payments and debt proceeds in the Village's accounting ledgers;
- Debt proceeds for the Bucket Truck loan within the Electric Operating Fund were recorded as other financing sources rather than debt proceeds in 2015, in the amount of \$166,210;
- Motor Vehicle Tax monies were incorrectly recorded as property taxes instead of intergovernmental revenue in the Street Construction, Maintenance, and Repair Fund, totaling \$14,810 in 2015 and \$14,618 in 2014.

Additional audit adjustments were made in smaller relative amounts. These errors were a result of inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. The accompanying financial statements have been adjusted to correct these errors. To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the annual report by Council and the audit committee to identify and correct errors, omissions, and misclassifications.

FINDING NUMBER 2015-002

Noncompliance Citation – Material Weakness

Ordinance No. 1543 §14 of the Village requires that the funds generated by this income tax be paid into the General Fund of the Village of Deshler, Ohio, to be distributed annually to the various capital and general operating needs of the Village. Additionally, **Ohio Rev. Code § 5705.10(I)** provides that all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, Ohio Rev. Code § 5705.10(D) requires 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, be paid into a special fund for such purpose.

Monies received from the Village's income tax were not paid into the General Fund. Instead, these monies were paid into a Special Revenue Fund then distributed to the following funds in the following amounts:

- General Fund totaling \$225,000 in 2014 and \$175,000 in 2015;
- Street Construction & Maintenance and Repair Special Revenue Fund totaling \$35,000 in 2014 and \$10,000 in 2015;
- Memorial Field Recreation Special Revenue Fund totaling \$1,000 in 2014;

FINDING NUMBER 2015-002
(Continued)

- Permissive Motor Vehicle License Tax Special Revenue Fund totaling \$10,000 in 2014 and \$25,000 in 2015;
- Main Street Revitalization Capital Projects Fund totaling \$10,780 in both 2014 and 2015; and,
- Swimming Pool Fund Enterprise Fund totaling \$10,000 in both 2014 and 2015.

Given the improper classification of the income tax receipts and related expenditures, adjustments were made to properly reclassify the Income Tax Fund's activity for 2014 and 2015 as General Fund activity. This also resulted in the elimination of the above-noted transfers to the General Fund.

We recommend monies generated from income tax receipts, and the related distribution of funds, be recorded within the General Fund.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

VILLAGE OF DESHLER
HENRY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	Finding was first issued in the 2005-2006 audit. Due to numerous financial statement errors resulting in significant audit adjustments and reclassifications.	Not Corrected and repeated as Finding 2015-001 in this report.	Recurrence due to inadequate policies and procedures in reviewing the financial statements and accounting records throughout the audit period. Village Council will perform detailed reviews of financial information to ensure monies are properly posted.

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VILLAGE OF DESHLER

HENRY 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 22, 2016