



VILLAGE OF DESHLER
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Deshler, Henry County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2022

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Village of Deshler, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$131,239	\$11,077	\$11,077	\$153,393
Municipal Income Tax		419,603		419,603
Intergovernmental	79,935	233,963	108,697	422,595
Charges for Services	57,696			57,696
Fines, Licenses and Permits	14,321			14,321
Earnings on Investments	2,972			2,972
Miscellaneous	19,660	1,749		21,409
<i>Total Cash Receipts</i>	<u>305,823</u>	<u>666,392</u>	<u>119,774</u>	<u>1,091,989</u>
Cash Disbursements				
Current:				
Security of Persons and Property	239,739			239,739
Public Health Services	8,000			8,000
Leisure Time Activities	6,450	26,868		33,318
Community Environment	7,954			7,954
Basic Utility Services	2,500			2,500
Transportation	1,500	124,114		125,614
General Government	72,408	109,519		181,927
Capital Outlay	117,068	90,727	458,798	666,593
Debt Service:				
Principal Retirement	23,370	4,027	160,267	187,664
Interest and Fiscal Charges	459	490	4,271	5,220
<i>Total Cash Disbursements</i>	<u>479,448</u>	<u>355,745</u>	<u>623,336</u>	<u>1,458,529</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(173,625)</u>	<u>310,647</u>	<u>(503,562)</u>	<u>(366,540)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	73,877	16,695	84,677	175,249
Sale of Capital Assets	1,225			1,225
Transfers In	190,000	90,000	67,689	347,689
Transfers Out	(79,287)	(307,690)	(50,000)	(436,977)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>185,815</u>	<u>(200,995)</u>	<u>102,366</u>	<u>87,186</u>
<i>Net Change in Fund Cash Balances</i>	12,190	109,652	(401,196)	(279,354)
<i>Fund Cash Balances, January 1</i>	<u>31,574</u>	<u>343,254</u>	<u>1,198,674</u>	<u>1,573,502</u>
<i>Fund Cash Balances, December 31</i>	<u>\$43,764</u>	<u>\$452,906</u>	<u>\$797,478</u>	<u>\$1,294,148</u>

See accompanying notes to the basic financial statements

Village of Deshler, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2021

	Enterprise
Operating Cash Receipts	
Charges for Services	\$4,124,901
Operating Cash Disbursements	
Personal Services	705,417
Employee Fringe Benefits	236,653
Contractual Services	2,574,644
Supplies and Materials	250,121
Other	7,261
<i>Total Operating Cash Disbursements</i>	<i>3,774,096</i>
<i>Operating Income</i>	<i>350,805</i>
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	2,734
Other Debt Proceeds	33,387
Sale of Capital Assets	5,476
Miscellaneous Receipts	51,155
Capital Outlay	(157,389)
Principal Retirement	(331,803)
Interest and Other Fiscal Charges	(45,605)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(442,045)</i>
<i>Loss before Transfers</i>	<i>(91,240)</i>
Transfers In	89,288
<i>Net Change in Fund Cash Balance</i>	<i>(1,952)</i>
<i>Fund Cash Balance, January 1</i>	<i>2,655,535</i>
<i>Fund Cash Balance, December 31</i>	<i>\$2,653,583</i>

See accompanying notes to the basic financial statements

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting 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 politic and corporate. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water, electric, gas, and sewer utilities; park operations; and police services. The Village no longer provides fire services, as Corn City Fire District was formed in 2016.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a joint venture, two jointly governed organizations, and two public entity risk pools. Notes 6, 11, 12, and 13 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Income Tax Fund The income tax fund receives money from residents and individuals who live and work in the Village limits.

Coronavirus Relief Fund The coronavirus relief fund received money from the State for addressing the COVID-19 pandemic emergency.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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:

Pine Street Bridge Construction This fund receives grant money from the Ohio Department of Transportation (ODOT) Municipal Bridge Program and OPWC as well as loan proceeds from OPWV and the Corn City State Bank for the construction of a bridge.

Electric Capital Projects This fund was created in 2020 to receive funds from the sale of the Village's electric transmission line. The funds will be used for the acquisition of new assets.

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 The 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.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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

A summary of 2021 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$711,050	\$570,925	(\$140,125)
Special Revenue	591,600	773,086	181,486
Capital Projects	271,880	272,140	260
Enterprise	4,021,000	4,306,941	285,941
Total	\$5,595,530	\$5,923,092	\$327,562

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$696,319	\$562,326	\$133,993
Special Revenue	777,288	673,389	103,899
Capital Projects	823,953	702,070	121,883
Enterprise	5,715,020	4,375,663	1,339,357
Total	\$8,012,580	\$6,313,448	\$1,699,132

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit accounts are as follows:

	2021
Demand deposits	<u>\$3,236,462</u>
Certificates of deposit	710,931
Other time deposits (savings and NOW accounts)	13
Petty Cash	<u>325</u>
Total deposits	<u><u>\$3,947,731</u></u>

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

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.0 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, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management

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

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

Effective November 1, 2010 (through October 31, 2017), the corridor is for losses paid is between 60% and 70% of casualty premiums earned in the first \$250,000. Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70% and 75%. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65% and 70%. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60% and 67.5% and remain unchanged effective November 1, 2021 and November 1, 2020. OPRM had 769 members as of December 31, 2021.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2021.

Assets	\$21,777,439
Liabilities	(15,037,383)
Members' Equity	<u>\$6,740,056</u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Ohio Police and Fire Retirement System

The Village's three full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2021.

Social Security

One elected Village official contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The Official contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$129,360	0.00%
OPWC Loan - Well Field Development	15,365	0.00%
OPWC Loan - Wastewater Treatment/Pump Station	416,667	0.00%
OPWC Loan - Waterline Loop 1A	123,865	0.00%
OPWC Loan - Waterline Loop 1B	56,935	0.00%
OPWC Loan - Sewer Forcemain Replacement	76,015	0.00%
OPWC Loan - South Pine Street Bridge Replacement	48,085	0.00%
OWDA Loan - Water Meters & Tower	264,644	3.45%
OWDA Loan - Water Treatment Plant	695,193	0.00%
OWDA Loan - Sewer Separation Project	471,045	0.00%
OWDA Loan - Wastewater & Lagoon	1,004,526	0.78%
Corn City Bank Loan - Bucket Truck	20,795	5.50%
Corn City Bank Loan - Replace Gas System	142,273	3.75%
Corn City Bank Loan - Gas System #2	354,360	5.50%
Corn City Bank Loan - Police Tahoe	50,273	3.75%
Corn City Bank Loan - Street/Sewer Truck #2	62,867	3.55%
Ohio Dept of Commerce Loan - Firetruck	130,000	0.00%
Total	<u>\$4,062,268</u>	

The Ohio Public Works Commission (OPWC) Main Street Revitalization 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 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 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 of \$8,333 for 30 years. This loan is secured by the revenues from the Village’s water system.

The OPWC Waterline Loop Extension & Meter project. Phase 1 of the project was completed in 2017 and will be repaid with monthly payments of \$4,588 for 30 years beginning in 2018. The loan will be secured by the Village’s water fund.

The OPWC Marion Street Waterline Extension Phase 1B and Meter Pits. This project was completed in 2019. This was a joint project with the Henry County Regional Water & Sewer District. The Henry County Regional Water & Sewer District was recently taken over by the Northwestern Water & Sewer District. Semi-annual installment of \$1,017 are paid by the Village of Deshler with reimbursement being made by the Northwestern Water & Sewer District. The loan will be secured by the Village’s water fund.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

The OPWC Loan CE24T loan relates to the Sewer Forcemain Replacement project in the Village of Deshler and the Meter and Meter Pit Replacement in the Villages of Hamler and Malinta. This was a joint OPWC project. The Villages of Hamler and Malinta pay their portion of the loan to the Village of Deshler, and Deshler pays OPWC the entire loan amount. In 2019 the Village of Malinta paid the Village of Deshler for their entire portion of the loan, which amounted to \$33,260. Deshler's portion of this loan is secured by the Village's water fund.

The OPWC Loan, South Pine Street Bridge Replacement, related to replacing a Village bridge. This loan will be repaid in semi-annual installments after the project is completed.

The Ohio Water Development Authority (OWDA) Water Meters & Tower loan 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 of \$39,342 over 20 years. The loan is secured by revenues from the Village's sewer system.

The OWDA Water Treatment Plant loan relates to an Environmental Protection Agency project for the construction of a water treatment plant. The loan will be repaid in semi-annual payments of \$36,589 over 20 years. The loan is secured by revenues from the Village's water system.

The OWDA Sewer Separation Project 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 of \$9,057 over 30 years. The loan is secured by the revenues from the Village's water system.

The OWDA Wastewater & Lagoon loan relates to the pump station and lagoon improvements project. The loan will be repaid in semi-annual payments of \$22,561 over 30 years. The loan is secured by the revenues from the Village's water system.

The Corn City State Bank – The Streets/Sewer/Land & Building departments utilize the same vehicles and this loan is to pay for a new truck for these departments. The loan will be repaid in monthly installments of \$1,091 and is secured by the income tax fund and revenues from the sewer fund.

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 – Gas Loan #2 relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,426 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Corn City State Bank – Police Tahoe loan is for a 2021 police cruiser and will be repaid with the semi-annual payments of \$5,573 for five years.

The Corn City State bank – The Streets/Sewer/Land & Building departments utilize the same vehicles and this loan is to pay for the second new truck for these departments. The loan will be repaid in monthly installments of \$1,497.

Village of Deshler, Ohio
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For the Year Ended December 31, 2021

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. The Fire Department is now a separate entity and not under the village. The loan could not be transferred into their name. The Corn City Fire District pays the Village the amount of the loan payment and the Village pays the Ohio Dept. of Commerce the installments.

Amortization

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

Year ending	OPWC Loans	OWDA Loans	Dept. of Commerce	Corn City State Bank Loans
December 31:				
2022	\$38,703	\$215,099	\$20,000	\$167,350
2023	86,788	215,099	20,000	162,987
2024	38,703	215,099	20,000	139,252
2025	38,703	215,099	20,000	89,734
2026	38,703	215,099	20,000	76,262
2027-2031	189,673	759,710	30,000	119,379
2032-2036	151,573	316,189		
2037-2041	130,013	316,189		
2042-2046	130,013	212,111		
2047-2050	23,420			
Total	<u>\$866,292</u>	<u>\$2,679,694</u>	<u>\$130,000</u>	<u>\$754,964</u>

American Municipal Power Generating Station Project

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 impaired cost estimate of \$16,112 at December 31, 20CY.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Since March 31, 2014, the Village has made payments of \$10,400 to AMP increasing its net credit balance. Also since March 31, 2014 the Village's allocation of additional costs incurred by the project is \$2,134 and interest on the net credit balance credited to the Village has been \$3,380, resulting in a net credit balance at December 31, 2020 of \$27,758. The Village does have a potential PHFU Liability of \$26,064 resulting in a net total potential liability of (-\$1,694), assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the PSEC Ownership Interest) in the Prairie State Energy Campus (PSEC), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership interest is held by AMP 368 LLC, a single-member Delaware limited liability company (AMP 368 LLC). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commences in October 2007. Unit 1 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the Initial Prairie State Bonds) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017, and 2019, AMP issued bonds (the Prairie State Refunding Bonds and, together with the Initial Prairie State Bonds, the Prairie State Bonds) to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2021, AMP had \$1,413,165,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the Prairie State Power Sales Contract) with 68 Members (the Prairie State Participants). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Deshler has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 746 kW or 0.20% of capacity and associated energy from the PSEC.

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the Combined Hydroelectric Projects), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-on-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

Village of Deshler, Ohio
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Notes to the Financial Statements
For the Year Ended December 31, 2021

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects revenue Bonds (the Combined Hydroelectric Bonds), in an original aggregate principal amount of \$2,483,845,000 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean renewable Energy Bonds and New Clean renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2021, on an unaudited basis, \$2,119,182,647 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$4.18 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (Voith), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for an October 31, 2021 trial date.

The Village of Deshler has executed a take-or-pay power sales contract with AMP as a participant of the Combined Hydroelectric Project Projects of 999 kW or 0.48% of capacity and associated energy from the Combined Hydroelectric Projects.

Note 10 – Construction and Contractual Commitments

Two Ohio Department of Natural Resources (ODNR) grants were awarded to the Village in 2021 that have not yet been completed. Pirate Park will receive a new shelter house utilizing NatureWorks funds of \$26,698 and new sidewalks and playground equipment will be installed at Pirate Park with ODNR funding in the amount of \$20,580.

The Village is committed to the ODOT Municipal Bridge Program SFY 2022. This is for the replacement of the South Pine Bridge in the Village. The ODOT Municipal Bridge Program will cover 95% of the cost of this project up to the maximum of \$702,240 OPWC funding has been awarded in the amount of \$216,471 to cover the remaining project costs.

The sale of the Village's transmission line to AMP generated \$1,173,376 for Deshler Municipal Utilities. This department purchased property with existing buildings in which to move their equipment to and provide a larger work space for employees. The Village has committed to remodeling and upgrading these facilities.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 11 – Joint Ventures

Woodlawn Union Cemetery: The Board is comprised of three members consisting of a Bartlow Township Trustee, a Deshler Village Council member and the Cemetery Clerk/Sexton. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations. Both Deshler Village and Bartlow Township help fund the Woodlawn Cemetery with an \$8,000 annual contribution from each.

Note 12 – Jointly Governed Organizations

Corn City Regional Fire District: The Village participates in a jointly governed organization with the Corn City Regional Fire District. The Corn City Regional Fire District was formed in 2016, and consists of the territorial area of Bartlow Township, Henry County, Ohio, which includes the Village of Deshler. Two members of the Village Council and two Bartlow Township Trustees serve on the Corn City Regional Fire District Board. When the fire department was governed by the Village, a new fire truck was purchased. A loan was obtained from Ohio Department of Commerce. When the new Fire District was formed, the loan was not allowed to be transferred to the Fire District’s name. Because of this, the Village still receives and pays the invoices for the loan and the Fire District reimburses the Village. The amount is \$20,000 annually.

Henry County South Joint Ambulance District: The District consists of a twelve-member Board of Trustees that governs the District. Each political subdivision within the District appoints one member. One member of Deshler Village Council serves on this Board. The District consists of Bartlow, Flatrock, Marion, Monroe, Pleasant and Richfield Townships, along with the Villages of Hamler, Deshler, Malinta, Holgate and New Bavaria. The District provides emergency medical services within the District.

Note 13 – Public Entity Risk Pool

The Village participates in the Ohio Public Treasurers Association Group Rating Plan (GRP) for worker’s compensation. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Total</u>
Outstanding Encumbrances	\$ 3,591	\$ 9,955	\$ 28,734	\$ 66,770	\$ 109,050

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 15 – Subsequent Events

The Village has been awarded funding from OPWC and the State Capital Infrastructure Grant to clean and restore the Village's two water towers in a cooperative grant project with the Village of Hamler. Total project costs between the Villages is \$416,935 with \$262,500 in grant and loan money coming from OPWC and \$139,715 to be funded by the Water and Wastewater Infrastructure Program Grant from the Ohio Department of Development.

On August 8, 2022, Village Council voted to authorize entering into a promissory note with Corn City State Bank for Natural Gas Replacement work to be done in 2022. The note was signed on August 10, 2022. The 15 year note has a principal balance of \$1,500,000 and interest rate of 4.5%.

Note 16 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The 2021 activity includes, \$52,238 in expenditures for COVID-19 related items purchased. These amounts are reflected as general government expenditures in the applicable Special Revenue Fund on the accompanying financial statements

Note 17 – Compliance

Contrary to Ohio Rev. Code § 5705.10(D), the Village recorded sewer receipts in the wrong fund.

Village of Deshler, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$115,527	\$9,938	\$9,937	\$135,402
Municipal Income Tax		385,914		385,914
Intergovernmental	49,080	258,339	53,790	361,209
Charges for Services	64,500	400		64,900
Fines, Licenses and Permits	14,035			14,035
Earnings on Investments	2,572			2,572
Miscellaneous	22,151	5,529		27,680
<i>Total Cash Receipts</i>	<u>267,865</u>	<u>660,120</u>	<u>63,727</u>	<u>991,712</u>
Cash Disbursements				
Current:				
Security of Persons and Property	204,078			204,078
Public Health Services	8,000			8,000
Leisure Time Activities	7,836	22,229		30,065
Community Environment	9,139			9,139
Basic Utility Services	2,500			2,500
Transportation	1,475	115,303		116,778
General Government	80,839	125,434		206,273
Capital Outlay	77,536	51,228	159,771	288,535
Debt Service:				
Principal Retirement	31,140	2,752	5,390	39,282
Interest and Fiscal Charges	911	520	1,216	2,647
<i>Total Cash Disbursements</i>	<u>423,454</u>	<u>317,466</u>	<u>166,377</u>	<u>907,297</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(155,589)</u>	<u>342,654</u>	<u>(102,650)</u>	<u>84,415</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			105,911	105,911
Sale of Capital Assets			1,173,376	1,173,376
Transfers In	230,000	55,000	11,390	296,390
Transfers Out	(81,683)	(295,390)		(377,073)
Other Financing Uses	(845)			(845)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>147,472</u>	<u>(240,390)</u>	<u>1,290,677</u>	<u>1,197,759</u>
<i>Net Change in Fund Cash Balances</i>	(8,117)	102,264	1,188,027	1,282,174
<i>Fund Cash Balances, January 1</i>	<u>39,691</u>	<u>240,990</u>	<u>10,647</u>	<u>291,328</u>
<i>Fund Cash Balances, December 31</i>	<u>\$31,574</u>	<u>\$343,254</u>	<u>\$1,198,674</u>	<u>\$1,573,502</u>

See accompanying notes to the basic financial statements

Village of Deshler, Ohio
Henry County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Enterprise
Operating Cash Receipts	
Charges for Services	\$3,725,522
Operating Cash Disbursements	
Personal Services	707,082
Employee Fringe Benefits	215,832
Contractual Services	2,365,456
Supplies and Materials	201,101
Other	5,147
<i>Total Operating Cash Disbursements</i>	3,494,618
<i>Operating Income</i>	230,904
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	1,830
Sale of Capital Assets	524
Miscellaneous Receipts	68,714
Capital Outlay	(533,989)
Principal Retirement	(304,003)
Interest and Other Fiscal Charges	(49,570)
<i>Total Non-Operating Receipts (Disbursements)</i>	(816,494)
<i>Loss before Transfers</i>	(585,590)
Transfers In	80,683
<i>Net Change in Fund Cash Balance</i>	(504,907)
<i>Fund Cash Balance, January 1</i>	3,160,442
<i>Fund Cash Balance, December 31</i>	\$2,655,535

See accompanying notes to the basic financial statements

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting 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 politic and corporate. A publicly-elected six-member Council and Mayor directs the Village. The Village provides water, electric, gas, and sewer utilities; park operations; and police services. The Village no longer provides fire services, as Corn City Fire District was formed in 2016.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a joint venture, two jointly governed organizations, and two public entity risk pools. Notes 6, 11, 12, and 13 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

Income Tax Fund The income tax fund receives money from residents and individuals who live and work in the Village limits.

Coronavirus Relief Fund The coronavirus relief fund received money from the State for addressing the COVID-19 pandemic emergency.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

Issue 2 Street Improvements Fund This fund receives money from OPWC loans and grants for street capital improvements

Pine Street Bridge Construction This fund receives grant money from the Ohio Department of Transportation (ODOT) Municipal Bridge Program and OPWC as well as loan proceeds from OPWV and the Corn City State Bank for the construction of a bridge.

Electric Capital Projects This fund was created in 2020 to receive funds from the sale of the Village's electric transmission line. The funds will be used for the acquisition of new assets.

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 The 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.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Committed Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 14.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$643,050	\$497,865	(\$145,185)
Special Revenue	759,866	715,120	(44,746)
Capital Projects	276,880	1,354,404	1,077,524
Enterprise	4,258,250	3,877,273	(380,977)
Total	\$5,938,046	\$6,444,662	\$506,616

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$680,664	\$508,842	\$171,822
Special Revenue	842,994	666,424	176,570
Capital Projects	261,080	189,250	71,830
Enterprise	5,828,552	4,484,825	1,343,727
Total	\$7,613,290	\$5,849,341	\$1,763,949

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposits are as follows:

	2020
Demand deposits	<u>\$3,513,097</u>
Certificates of deposit	710,932
Other time deposits (savings and NOW accounts)	4,683
Petty Cash	<u>325</u>
Total deposits	<u><u>\$4,229,037</u></u>

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

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Note 5 – Taxes

Property Taxes

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

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

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

Income Taxes

The Village levies a municipal income tax of 1.0 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, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Risk Management

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$18,826,974
Liabilities	<u>(13,530,267)</u>
Members' Equity	<u><u>\$5,296,707</u></u>

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Ohio Police and Fire Retirement System

The Village's two full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Social Security

One elected Village official contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The Official contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$140,140	0.00%
OPWC Loan - Well Field Development	17,285	0.00%
OPWC Loan - Wastewater Treatment/Pump Station	433,333	0.00%
OPWC Loan - Waterline Loop 1A	128,454	0.00%
OPWC Loan - Waterline Loop 1B	58,968	0.00%
OPWC Loan - Sewer Forcemain Replacement	78,730	0.00%
OWDA Loan - Water Meters & Tower	273,401	3.45%
OWDA Loan - Water Treatment Plant	768,371	0.00%
OWDA Loan - Sewer Separation Project	549,728	0.00%
OWDA Loan - Wastewater & Lagoon	1,041,597	0.78%
Corn City Bank Loan - Bucket Truck	32,393	5.50%
Corn City Bank Loan - Replace Gas System	195,877	3.75%
Corn City Bank Loan - Gas System #2	398,699	5.50%
Corn City Bank Loan - Pine Street Bridge	105,911	4.75%
Ohio Dept of Commerce Loan - Firetruck	150,000	0.00%
Total	<u><u>\$4,372,887</u></u>	

The Ohio Public Works Commission (OPWC) Main Street Revitalization 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 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 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 of \$8,333 for 30 years. This loan is secured by the revenues from the Village’s water system.

The OPWC Waterline Loop Extension & Meter project. Phase 1 of the project was completed in 2017 and will be repaid with monthly payments of \$4,588 for 30 years beginning in 2018. The loan will be secured by the Village’s water fund.

The OPWC Marion Street Waterline Extension Phase 1B and Meter Pits. This project was completed in 2019. This was a joint project with the Henry County Regional Water & Sewer District. The Henry County Regional Water & Sewer District was recently taken over by the Northwestern Water & Sewer District. Semi-annual installment of \$1,017 are paid by the Village of Deshler with reimbursement being made by the Northwestern Water & Sewer District. The loan will be secured by the Village’s water fund.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The OPWC Loan CE24T loan relates to the Sewer Forcemain Replacement project in the Village of Deshler and the Meter and Meter Pit Replacement in the Villages of Hamler and Malinta. This was a joint OPWC project. The Villages of Hamler and Malinta pay their portion of the loan to the Village of Deshler, and Deshler pays OPWC the entire loan amount. In 2019 the Village of Malinta paid the Village of Deshler for their entire portion of the loan, which amounted to \$33,260. Deshler's portion of this loan is secured by the Village's water fund.

The Ohio Water Development Authority (OWDA) Water Meters & Tower loan 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 of \$39,342 over 20 years. The loan is secured by revenues from the Village's sewer system.

The OWDA Water Treatment Plant loan relates to an Environmental Protection Agency project for the construction of a water treatment plant. The loan will be repaid in semi-annual payments of \$36,589 over 20 years. The loan is secured by revenues from the Village's water system.

The OWDA Sewer Separation Project 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 of \$9,057 over 30 years. The loan is secured by the revenues from the Village's water system.

The OWDA Wastewater & Lagoon loan relates to the pump station and lagoon improvements project. The loan will be repaid in semi-annual payments of \$22,561 over 30 years. The loan is secured by the revenues from the Village's water system.

The Corn City State Bank – The Streets/Sewer/Land & Building departments utilize the same vehicles and this loan is to pay for a new truck for these departments. The loan will be repaid in monthly installments of \$1,091 and is secured by the income tax fund and revenues from the sewer fund.

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 – Gas Loan #2 relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,426 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Corn City State Bank – Pine Street Bridge loan relates to replacing a Village bridge and be repaid in full on the maturity date.

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. The Fire Department is now a separate entity and not under the village. The loan could not be transferred into their name. The Corn City Fire District pays the Village the amount of the loan payment and the Village pays the Ohio Dept. of Commerce the installments.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Year ending December 31:	OPWC Loans	OWDA Loans	Dept. of Commerce	Corn City State Bank Loans
2021	\$38,703	\$215,099	\$20,000	\$140,717
2022	38,703	215,099	20,000	244,426
2023	38,703	215,099	20,000	133,878
2024	38,703	215,099	20,000	110,143
2025	38,703	215,099	20,000	65,116
2026-2030	191,594	838,393	50,000	184,495
2031-2035	162,353	389,367		
2036-2040	130,013	316,189		
2041-2045	130,013	252,787		
2046-2050	49,422	22,562		
Total	<u>\$856,910</u>	<u>\$2,894,793</u>	<u>\$150,000</u>	<u>\$878,775</u>

American Municipal Power Generating Station Project

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 costs 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.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Since March 31, 2014, the Village has made payments of \$10,400 to AMP increasing its net credit balance. Also since March 31, 2014 the Village's allocation of additional costs incurred by the project is \$2,114 and interest on the net credit balance credited to the Village has been \$3,130, resulting in a net credit balance at December 31, 2020 of \$27,528. The Village does have a potential PHFU Liability of \$25,857 resulting in a net total potential liability of (-\$1,671), assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

Prairie State Energy Campus

On December 20, 2007, AMP acquired a 23.26% undivided ownership interest (the PSEC Ownership Interest) in the Prairie State Energy Campus (PSEC), a two unit, supercritical coal-fired power plant designed to have a net rated capacity of approximately 1,582 MW and associated facilities in southwest Illinois. The PSEC Ownership interest is held by AMP 368 LLC, a single-member Delaware limited liability company (AMP 368 LLC). AMP is the owner of the sole membership interest in AMP 368 LLC. Construction of the PSEC commences in October 2007. Unit 1 of the PSEC commenced operations in the fourth quarter of 2012.

From July 2008 through September 2010, AMP issued five series of Prairie State Energy Campus Revenue Bonds (collectively, the Initial Prairie State Bonds) to finance PSEC project costs and PSEC related expenses. The Initial Prairie State Bonds consist of tax-exempt, taxable and tax advantaged Build America Bonds issued in the original aggregate principal amount of \$1,696,800,000. In 2015, 2017, and 2019, AMP issued bonds (the Prairie State Refunding Bonds and, together with the Initial Prairie State Bonds, the Prairie State Bonds) to refund all of the callable tax-exempt Initial Prairie State Bonds issued in 2008 and 2009, certain of callable outstanding Initial Prairie State Bonds issued as Build America Bonds and certain of the bonds issued in 2015 to refund the Initial Prairie State Bonds. As of December 31, 2020, AMP had \$1,470,255,000 aggregate principal amount of Prairie State Bonds outstanding.

AMP sells the power and energy from the PSEC Ownership Interest pursuant to a take-or-pay power sales contract (the Prairie State Power Sales Contract) with 68 Members (the Prairie State Participants). The Prairie State Bonds are net revenue obligations of AMP, secured by a master trust indenture, payable primarily from the payments to be made by the Prairie State Participants under the terms of the Prairie State Power Sales Contract.

The Village of Deshler has executed a take-or-pay power sales contract with AMP as a participant of the PSEC of 746 kW or 0.20% of capacity and associated energy from the PSEC.

Combined Hydroelectric Projects

AMP owns and operates three hydroelectric projects, the Cannelton, the Smithland and the Willow Island hydroelectric generating facilities (the Combined Hydroelectric Projects), all on the Ohio River, with an aggregate generating capacity of approximately 208 MW. Each of the Combined Hydroelectric Projects is in commercial operation and consists of run-on-the-river hydroelectric generating facilities on existing Army Corps dams and includes associated transmission facilities. AMP holds the licenses from FERC for the Combined Hydroelectric Projects.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

To provide financing for, or refinance certain obligations incurred in respect of, the Combined Hydroelectric Projects, AMP has issued ten series of its Combined Hydroelectric Projects revenue Bonds (the Combined Hydroelectric Bonds), in an original aggregate principal amount of \$2,142,071,461 and consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean renewable Energy Bonds and New Clean renewable Energy Bonds). The Combined Hydroelectric Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 79 of its Members. As of December 31, 2020, \$2,140,742,059 aggregate principal amount of the Combined Hydroelectric Bonds and approximately \$23.01 million aggregate principal amount of subordinate obligations, consisting of notes evidencing draws on the Line of Credit were outstanding under the indenture securing the Combined Hydroelectric Bonds.

On August 14, 2017, AMP filed a lawsuit in the U.S. District Court for the Southern District of Ohio against Voith Hydro, Inc. (Voith), which was the supplier of major powerhouse equipment, including the turbines and generators for the Combined Hydroelectric Projects and the Meldahl Project. In the lawsuit, AMP alleges, among other things that Voith failed to deliver equipment on a timely basis and that certain of the equipment delivered was materially defective, causing significant delays. AMP has alleged each of AMP's claims, and asserting two counterclaims seeking the payment of amounts it claims are due under the contract, amounts currently held by AMP as purported liquidated damages and \$40 million in damages, plus interest and legal fees. On December 1, 2017, AMP filed its answer to the Voith counterclaims, denying all liability to Voith.

As part of the initial disclosures, AMP listed 70 potential witnesses and \$90 million in gross damages, while Voith listed over 100 potential witnesses and \$65 million in gross damages. A scheduling order has been established which provides for the conclusion of discovery in April 2021, but no trial date has been set.

The Village of Deshler has executed a take-or pay power sales contract with AMP as a participant of the Combined Hydroelectric Project Projects.

Note 10 – Construction and Contractual Commitments

The Village committed to an ODNR Natureworks Grant in 2020. The Reservoir Park Pathway Phase III project will total \$39,579. Grants in the amount of \$18,259 will be received with the remainder being paid for from donations and the Village's income tax fund.

The Village has also committed to the ODOT Municipal Bridge Program SFY 2022. This is for the replacement of the South Pine Bridge in the Village. The ODOT Municipal Bridge Program will cover 95% of the cost of this project up to the maximum of \$702,240 OPWC funding has been applied for to cover the remaining project costs.

Note 11 – Joint Ventures

Woodlawn Union Cemetery: The Board is comprised of three members consisting of a Bartlow Township Trustee, a Deshler Village Council member and the Cemetery Clerk/Sexton. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations. Both Deshler Village and Bartlow Township help fund the Woodlawn Cemetery with an \$8,000 annual contribution from each.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 12 – Jointly Governed Organizations

Corn City Regional Fire District: The Village participates in a jointly governed organization with the Corn City Regional Fire District. The Corn City Regional Fire District was formed in 2016, and consists of the territorial area of Bartlow Township, Henry County, Ohio, which includes the Village of Deshler. Two members of the Village Council and two Bartlow Township Trustees serve on the Corn City Regional Fire District Board. When the fire department was governed by the Village, a new fire truck was purchased. A loan was obtained from Ohio Department of Commerce. When the new Fire District was formed, the loan was not allowed to be transferred to the Fire District’s name. Because of this, the Village still receives and pays the invoices for the loan and the Fire District reimburses the Village. The amount is \$20,000 annually.

Henry County South Joint Ambulance District: The District consists of a twelve-member Board of Trustees that governs the District. Each political subdivision within the District appoints one member. One member of Deshler Village Council serves on this Board. The District consists of Bartlow, Flatrock, Marion, Monroe, Pleasant and Richfield Townships, along with the Villages of Hamler, Deshler, Malinta, Holgate and New Bavaria. The District provides emergency medical services within the District.

Note 13 – Public Entity Risk Pool

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

Note 14 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Enterprise	Total
Outstanding Encumbrances	\$ 2,860	\$ 53,568	\$ 22,873	\$ 102,645	\$ 181,946

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue and capital projects would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 15 – Miscellaneous Revenue

General Fund miscellaneous receipts consisted primarily of proceeds from contributions and donations, shelter house rentals, and Bureau of Workers Compensation rebates.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 16 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2020, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$4,700 was sub-granted to another government, \$17,594 was spent on behalf of other governments and organizations, and \$1 was returned to the Henry County Auditor (granting agency). These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 17 – Change in Accounting Principle

For 2020, the Village has made changes to its cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.

Note 18 – Subsequent Events

The Village has been awarded funding from OPWC and the State Capital Infrastructure Grant to clean and restore the Village's two water towers in a cooperative grant project with the Village of Hamler. Total project costs between the Villages is \$416,935 with \$262,500 in grant and loan money coming from OPWC and \$139,715 to be funded by the Water and Wastewater Infrastructure Program Grant from the Ohio Department of Development.

On August 8, 2022, Village Council voted to authorize entering into a promissory note with Corn City State Bank for Natural Gas Replacement work to be done in 2022. The note was signed on August 10, 2022. The 15 year note has a principal balance of \$1,500,000 and interest rate of 4.5%.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Deshler, Henry County, Ohio, (the Village) and have issued our report thereon dated August 12, 2022, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 2021-002.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 12, 2022

**VILLAGE OF DESHLER
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2021-001

Material Weakness- Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in the accompanying financial statements and notes to the financial statements for the year ended December 31, 2021:

- Debt proceeds in the amount of \$41,176 in the Capital Projects Fund were incorrectly classified as intergovernmental revenue.
- The Village's Hinkle Annual Financial Data Reporting System filing used an outdated report shell from the previous Auditor of State's website resulting in an outdated equity note to the financial statements being included.

The following errors were identified in the accompanying financial statements and notes to the financial statements for the year ended December 31, 2020:

- Outstanding encumbrances in the amounts of \$53,568 and \$22,873 in the Special Revenue and Capital Projects Funds, respectively, were not presented in the Fund Balance note to the financial statements.
- Budgeted Receipts in the Budgetary Activity note to the financial statements did not agree to amounts certified by the County Budget Commission. Budgeted receipts were overstated in the Income Tax Special Revenue Fund note in the amount of \$30,000.
- The Village's Hinkle Annual Financial Data Reporting System filing used an outdated report shell from the previous Auditor of State's website resulting in an outdated equity note to the financial statements being included.

These errors were not identified and corrected prior to the Village preparing its financial statements and notes to the financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead Village Council to make misinformed decisions. The accompanying financial statements, notes to the financial statements, and where applicable, the Village's accounting records have been adjusted to reflect these errors. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$134 to \$10,000, which we have brought to the Village's attention.

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

FINDING NUMBER 2021-002

Material Weakness- Noncompliance

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

Due to inadequate policies and procedures in posting revenue to the accounting system, the Village inappropriately recorded \$27,434 of sewer revenue in the Debt Service Fund, in 2021. Given the source of the revenue, this should have been recorded in the Sewer Operating Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting these misstatements.

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

Officials' Response:

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

Village of Deshler

"The Corn City"



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2021-001 in this report.	This finding recurred due to inadequate policies and procedures in reviewing the financial statements for errors and omissions. Village Council will perform detailed reviews of financial information to help ensure financial statements are correct.

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF DESHLER

HENRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 8/30/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov