



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEXTER CITY
NOBLE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Dexter City
Noble County
P.O. Box 51
Dexter City, Ohio 45727

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 16, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Dexter City
Noble County
P.O. Box 51
Dexter City, Ohio 45727

To the Village Council:

We have audited the accompanying financial statements of the Village of Dexter City, Noble County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Dexter City, Noble County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 16, 2007

VILLAGE OF DEXTER CITY
NOBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$ 2,067	\$	\$	\$ 2,067
Intergovernmental	12,889	11,510		24,399
Charges for Services	225		200	425
Earnings on Investments	19	533		552
Miscellaneous	9			9
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	15,209	12,043	200	27,452
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,229			3,229
Public Health Services			202	202
Leisure Time Activities	3,215			3,215
Transportation		2,688		2,688
General Government	12,103	1,000		13,103
Debt Service:				
Principal		2,975		2,975
Interest and Fiscal Charges		90		90
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	18,547	6,753	202	25,502
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,338)	5,290	(2)	1,950
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):				
Transfers-In		1,277		1,277
Transfers-Out	(1,277)			(1,277)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(1,277)	1,277	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,615)	6,567	(2)	1,950
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	7,112	18,896	9,806	35,814
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 2,497	\$ 25,463	\$ 9,804	\$ 37,764
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

VILLAGE OF DEXTER CITY
NOBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$ 1,718	\$	\$	\$ 1,718
Intergovernmental	12,877	15,643		28,520
Charges for Services	325			325
Earnings on Investments	15	353	735	1,103
Miscellaneous	65			65
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	15,000	15,996	735	31,731
Cash Disbursements:				
Current:				
Security of Persons and Property	3,698			3,698
Public Health Services			60	60
Leisure Time Activities	8,214			8,214
Transportation		10,300		10,300
General Government	11,085			11,085
Debt Service:				
Principal		1,559		1,559
Interest and Fiscal Charges		91		91
Capital Outlay		5,472		5,472
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	22,997	17,422	60	40,479
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(7,997)	(1,426)	675	(8,748)
Other Financing Receipts / (Disbursements):				
Proceeds of Loan		5,472		5,472
Transfers-In	3,417	1,000		4,417
Transfers-Out	(1,000)	(3,417)		(4,417)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	2,417	3,055	0	5,472
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(5,580)	1,629	675	(3,276)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	12,692	17,267	9,131	39,090
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 7,112	\$ 18,896	\$ 9,806	\$ 35,814

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Dexter City, Noble County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides maintenance of the Village's streets, park and cemetery and also provides street lighting services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Village invests all available funds of the Village in an interest-bearing checking account and certificates of deposit. The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Funds:

Cemetery Bequest Fund – This fund receives interest from the trust and receipts from the sale of cemetery lots which are used for the maintenance of the cemetery.

Bode Estate Trust Fund – This fund receives interest from the trust which is used for the maintenance of the canon located in the Village's park.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$ 8,446	\$ 6,496
Certificates of deposit	29,318	29,318
Total deposits	\$ 37,764	\$ 35,814

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 14,460	\$ 15,209	\$ 749
Special Revenue	9,190	13,320	4,130
Permanent	339	200	(139)
Total	\$ 23,989	\$ 28,729	\$ 4,740

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,875	\$ 19,824	\$ 3,051
Special Revenue	32,400	6,753	25,647
Permanent	300	202	98
Total	\$ 55,575	\$ 26,779	\$ 28,796

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 14,350	\$ 18,417	\$ 4,067
Special Revenue	8,350	22,468	14,118
Permanent	50	735	685
Total	\$ 22,750	\$ 41,620	\$ 18,870

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 21,728	\$ 23,997	\$ (2,269)
Special Revenue	32,400	20,839	11,561
Permanent	300	60	240
Total	\$ 54,428	\$ 44,896	\$ 9,532

At December 31, 2006, the Village had expenditures in excess of appropriations in the State Highway Fund in the amount of \$624, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2005, the Village had expenditures in excess of appropriations in the General Fund in the amount of \$1,122 and the FEMA Fund in the amount of \$5,562, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2006, the Village had appropriations in excess of estimated resources in the General Fund in the amount of \$1,647 and the Cemetery Bequest Fund in the amount of \$250, contrary to Ohio Rev. Code Section 5705.39.

At December 31, 2005, the Village had appropriations in excess of estimated resources in the Street Construction, Maintenance and Repair Fund in the amount of \$795, contrary to Ohio Rev. Code Section 5705.39.

4. PROPERTY TAX

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Loan	\$ 937	3.25%

The loan was issued to finance the purchase of a new New Holland garden tractor and mower. The loan is supported by the full faith and credit of the Village.

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

<u>Year ending December 31:</u>	<u>Loan</u>
2007	\$ 943

6. SOCIAL SECURITY BENEFITS

The elected officials and employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2006, these elected officials and employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Mary Taylor, CPA

Auditor of State

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

Village of Dexter City
Noble County
P.O. Box 51
Dexter City, Ohio 45727

To the Village Council:

We have audited the financial statements of the Village of Dexter City, Noble County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 16, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-010.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated October 16, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-009.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 16, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 16, 2007

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file its 2005 and 2006 annual financial report with the Auditor of State. In addition, notice that the financial report was available for public inspection was not published in the local newspaper. Failure to file the annual financial report can result in fines and penalties.

We recommend the Village file its 2005 and 2006 annual financial reports with the Auditor of State. We further recommend the Village file future annual financial reports with the Auditor of State within 60 days of the fiscal year end.

Officials' Response: The Clerk-Treasurer contacted the Auditor of State's office to let them know why it was late; then sent a copy both years. The Village received a letter saying that it hadn't been received so the Clerk-Treasurer indicated that another copy was sent. At the beginning of October 2007, another letter was received to say it was not filed, and the Clerk-Treasurer indicated that another copy was sent.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

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

During 2005 and 2006, the Village received monies from a permissive motor vehicle license tax levied by Noble County under Ohio Revised Code Section 4504.15. The Village did not establish a Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, to record the receipts and expenditures from proceeds of this tax. Per Auditor of State Management Advisory Services Bulletin 88-16, the Village should receipt the proceeds of such levy into a Permissive Motor Vehicle License Tax Fund, under the Intergovernmental Revenue receipts classification.

During 2005, the Village received FEMA monies. The Village Clerk-Treasurer recorded these monies in a FEMA Fund; however, the establishment of the FEMA Fund was not approved by Village Council.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.09(F)
(Continued)**

This could result in monies being accounted for in inappropriate or unauthorized funds.

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

Officials' Response: The Clerk-Treasurer posted these monies the same way for the past 11 years.

FINDING NUMBER 2006-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.10(H) states money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2006 and 2005, the Village's Walking Track Fund had a negative balance of \$4,999 and \$6,276, respectively. We also found for every month in 2005 and 2006 the Walking Track Fund had a negative balance.

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

Officials' Response: This started with a negative balance, because it was started without a grant or money for it.

FINDING NUMBER 2006-004

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.14(E) provides that money may be transferred from the general fund to any other fund of the subdivision by resolution of the taxing authority.

In addition, Auditor of State Bulletin 98-013 states when a portion or all of the work has been completed and paid for at the time the FEMA money is received, your entity must:

- Place all funds into a special FEMA fund and
- For work completed and paid for, reimburse the fund(s) used to pay for the goods and/or services (before the FEMA money was received). One way to repay the fund is to reduce the expenditure in the fund making the original payment and to record the expenditure in the FEMA fund. A second method is to have advanced money to the FEMA fund in anticipation of the receipt of the grant. Repay the advance once the FEMA money is received. A third approach is to transfer the FEMA money from the FEMA fund to the fund that made the original payments.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-004 (Continued)

Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.39 (Continued)

A transfer of \$1,000 from the General Fund to the Walking Track Fund in 2005 was not approved by the Village Council. Also, a transfer of \$2,500 was made from the FEMA Fund to the General Fund which was in accordance with Auditor of State Bulletin 98-013; however, the transfer was not approved by the Village Council. This could result in funds being improperly transferred without the consent or knowledge of Village Council.

We recommend the Village Council approve all transfers of the Village in accordance with the Ohio Revised Code.

Officials' Response: Unless the Clerk-Treasurer forgot to document the approval in the minutes, the Clerk-Treasurer does not transfer without a motion made by Council.

FINDING NUMBER 2006-005

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at December 31, 2006, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$ 21,228	\$ 22,875	\$ (1,647)
Cemetery	50	300	(250)

Appropriations exceeded estimated resources at December 31, 2005, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
Street Construction, Maintenance and Repair	\$ 31,305	\$ 32,100	\$ (795)

This could result in the Village spending funds that are not available.

We recommend the Village Clerk-Treasurer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

Officials' Response: The Clerk-Treasurer tries to monitor the balances and generally knows what the balances are.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2006, in the following fund:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
State Highway	\$ 300	\$ 924	\$ (624)

Expenditures exceeded appropriations at December 31, 2005, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 22,875	\$ 23,997	\$ (1,122)
FEMA	0	5,562	(5,562)

This could result in the Village spending more than is available to spend.

The Village Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Clerk-Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: The Clerk-Treasurer thought that she had monitored this appropriately.

FINDING NUMBER 2006-007

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.41(D)(1)
(Continued)**

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the non-payroll transactions issued in 2005 and 2006 had the prior certification of the Village Clerk-Treasurer, nor was there any evidence the Village Clerk-Treasurer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Noncompliance Citation and Significant Deficiency - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Village obtain the Village Clerk-Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: The Village does not use purchase orders as most bills are utility. The Village seldom purchases anything without Council approval except small items.

FINDING NUMBER 2006-008

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

During 2005 and 2006, estimated revenue per the amended certificates was not posted to the Village's receipts journal. Also during 2006, estimated revenue per the amended certificates did not agree to the estimated revenue the Village Clerk-Treasurer entered into the annual financial report as follows:

<u>Fund</u>	<u>Estimated Receipts Per Budget Commission</u>	<u>Amount Per Annual Financial Report</u>	<u>Variance</u>
Cemetery	\$ 50	\$ 0	\$ 50

During 2005 and 2006, the appropriations per the annual appropriation ordinances were not posted to the Village's appropriation journal. Also, the line items listed in the appropriation journals were not consistent with the line items listed in the annual appropriation ordinances.

During 2005, appropriations as approved by the Village Council did not agree to the appropriations the Village Clerk-Treasurer entered into the annual financial report as follows:

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-008 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(C)(1)
(Continued)**

Fund	Appropriations Per Village Council	Appropriations Per Annual Financial Report	Variance
General	\$ 22,875	\$ 21,728	\$ 1,147
Street Construction, Maintenance and Repair	32,100	32,393	(293)
State Highway	300	1,814	(1,514)
Cemetery	300	50	250

During 2006, appropriations as approved by the Village Council did not agree to the appropriations the Village Clerk-Treasurer entered into the annual financial report as follows:

Fund	Appropriations Per Village Council	Appropriations Per Annual Financial Report	Variance
General	\$ 22,875	\$ 21,727	\$ 1,148
Street Construction, Maintenance and Repair	32,100	32,393	(293)
State Highway	300	1,814	(1,514)
Cemetery	300	50	250

Failure to properly post estimated resources and appropriations could lead to a lack of budgetary control.

We recommend the Village Clerk-Treasurer record in the receipts journal the estimated revenue from the amended certificates of estimated resources approved by the Budget Commission. We further recommend the amounts be carried forward to the annual financial report at the correct amounts as approved by the Budget Commission. We also recommend the Village Clerk-Treasurer post appropriations from the annual appropriation ordinances to the appropriation journals and the annual financial report. Finally, we recommend the line items listed in the appropriation journal be consistent with those listed in the annual appropriation ordinances.

Officials' Response: The Clerk-Treasurer will try to do this.

FINDING NUMBER 2006-009

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-009 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A)
(Continued)**

During 2005, the Village Clerk-Treasurer posted certain revenue and expenditure transactions incorrectly. The following was noted:

- Homestead and Rollback was posted to Taxes instead of Intergovernmental;
- Local Government Revenue Assistance was not posted to the combined statement;
- Transfers-In was not posted to the combined statement;
- Village's utility payments were posted to Basic Utility Services instead of General Government;
- Salaries of the Village's employees were posted to General Government instead of Leisure Time Activities;
- Interest was posted to Intergovernmental instead of Earnings on Investments;
- FEMA receipts and expenditures were not posted to the combined statement;
- Cemetery expenditures were posted to Transportation instead of Public Health Services; and
- Withholding taxes were posted to funds that did not support the employee's pay.

During 2006, the Village Clerk-Treasurer posted certain revenue and expenditure transactions incorrectly. The following was noted:

- Homestead and Rollback was posted to Taxes instead of Intergovernmental;
- Local Government Revenue Assistance was not posted to the combined statement;
- Transfers-In was not posted to the combined statement;
- Village's utility payments were posted to Basic Utility Services instead of General Government;
- Interest was posted to Intergovernmental instead of Earnings on Investments;
- Cemetery expenditures were posted to Transportation instead of Public Health Services;
- Sale of cemetery lots were posted to Intergovernmental instead of Charges for Services;
- Withholding taxes were posted to funds that did not support the employee's pay; and
- Audit fees were posted to Transportation instead of General Government.

These errors in posting to revenue and expenditures resulted in reclassifications within the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund, FEMA Fund, Walking Track Fund, Cemetery Fund and Bode Estate Fund. Fund balances in 2006 of the General Fund, Street Construction, Maintenance and Repair Fund and Cemetery Fund were affected by the incorrect posting of withholdings.

As a result, these significant reclassifications in 2005 and 2006 and fund balance adjustments in 2006 were made to the financial statements in order for the Village Clerk-Treasurer to correctly classify the sources and amounts of the Village's receipts and expenditures. These reclassifications and fund balance adjustments with which the Village's management agrees are reflected in the accompanying financial statements.

A transfer of \$1,000 in 2005 and a transfer of \$1,277 in 2006 were not recorded in the appropriations journal for the General Fund. This caused the appropriations journal to not agree to the trial balances.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-009 (Continued)

**Noncompliance Citation and Significant Deficiency - Ohio Admin. Code Section 117-2-02(A)
(Continued)**

For 2005 and 2006, the Village's combined statements included in the Village's annual financial report did not have expenditures completed for the General Fund and Special Revenue Funds. For 2005, the combined statement had \$3,257 less in expenditures than the Appropriations Journal for the General Fund. In 2005, a transfer-in in the amount of \$1,000 for the Walking Track Fund and a transfer-out in the amount of \$3,417 in the FEMA Fund were not included on the combining statement and combined statement. In 2006, a transfer-in in the amount of \$1,277 in the Walking Track Fund was not included on the combining statement and combined statement. Further, the fund balances on the combined statement for 2005 did not agree to the audited fund balances at December 31, 2004. This caused the combined statement and combining statement for 2005 and 2006 to not foot correctly.

The following lists the net adjustments for each fund for the above errors as of December 31, 2006:

Fund	Net Adjustment
General	\$ (983)
Street Construction, Maintenance and Repair	977
Bode Estate	429
Cemetery	(16)
Total	\$ 407

Errors and/or irregularities could occur and go undetected.

We recommend the Village Clerk-Treasurer refer to the Ohio Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures. We also recommend the Village Clerk-Treasurer ensure all disbursements, including transfers, of the Village be included in the appropriations journal. In addition, we recommend the Village Clerk-Treasurer prepare the combining statements and combined statements from the receipts journal and appropriations journal and ensure that they reconcile to each other.

Officials' Response: The Clerk-Treasurer will try to do her best.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-010

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer performed all accounting functions. It is therefore important that the Village Council function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Village Council reviewed bank reconciliations, financial reports and records to monitor financial activity of the Village.

This could result in the ledgers of the Village not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Village's annual report without the timely knowledge of the Village Council.

We recommend financial information be presented to the Village Council on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Village's cash book to gain assurances that the records are posted up to date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Village Council meetings.

Officials' Response: The Village Council does go over the bills and signs them each month.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-VDCNC-001	The Clerk's monthly bank reconciliations, monthly fund balance summary and monthly budget versus actual receipts and disbursements were not reviewed and approved by the Village Council.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-010.
2004-VDCNC-002	Certified estimated receipts were not posted to the Village's receipts ledgers and appropriations were not posted to the Village's appropriations ledger.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-008.
2004-VDCNC-003	Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify expenditures.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-007.
2004-VDCNC-004	Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations in excess of estimated resources.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-005.
2004-VDCNC-005	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-006.
2004-VDCNC-006	Contrary to Ohio Rev. Code Section 5705.09, the Village did not establish a special fund for monies received from a permissive motor vehicle license tax and FEMA.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-002.
2004-VDCNC-007	Contrary to Ohio Rev. Code Section 5705.10, the Village had a deficit fund balance in the Walking Track Fund, a Special Revenue Fund.	No	Not Corrected; Reissued in the current Schedule of Findings as 2006-003.



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEXTER CITY

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 27, 2007**