



**VILLAGE OF DESHLER  
HENRY COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO  
AUDITOR OF STATE**

**STATE OF OHIO**



VILLAGE OF DESHLER  
HENRY COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Deshler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999. 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 audits.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 6, 2001

**VILLAGE OF DESHLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$65,614	\$56,650	\$7,841	\$130,105
Intergovernmental Receipts	86,280	40,893	731	127,904
Charges for Services	4,400	15,220		19,620
Fines, Licenses, and Permits	4,175			4,175
Earnings on Investments	39,375	1,155		40,530
Miscellaneous	40,883	1,653		42,536
	<u>240,727</u>	<u>115,571</u>	<u>8,572</u>	<u>364,870</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	175,714			175,714
Public Health Services	5,000			5,000
Leisure Time Activities	28,880	23,183		52,063
Basic Utility Services	648			648
Transportation	41,999	67,419		109,418
General Government	115,255			115,255
Capital Outlay	146,000	16,350	257	162,607
	<u>513,496</u>	<u>106,952</u>	<u>257</u>	<u>620,705</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(272,769)</u>	<u>8,619</u>	<u>8,315</u>	<u>(255,835)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers-In	195,000			195,000
Contingencies	(2,933)			(2,933)
	<u>192,067</u>			<u>192,067</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(80,702)	8,619	8,315	(63,768)
Fund Cash Balances, January 1	<u>123,059</u>	<u>65,999</u>	<u>10,377</u>	<u>199,435</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$42,357</b></u>	<u><b>\$74,618</b></u>	<u><b>\$18,692</b></u>	<u><b>\$135,667</b></u>
Reserves for Encumbrances, December 31	<u>\$2,720</u>	<u>\$1,416</u>		<u>\$4,136</u>

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

**VILLAGE OF DESHLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Types</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,738,591		\$1,738,591
Miscellaneous	163,858		163,858
Total Operating Cash Receipts	1,902,449		1,902,449
<b>Operating Cash Disbursements:</b>			
Personal Services	341,504	\$14,683	356,187
Fringe Benefits	81,470	5,869	87,339
Contractual Services	849,716		849,716
Supplies and Materials	203,656	991	204,647
Capital Outlay	266,426		266,426
Miscellaneous	8,036	949	8,985
Total Operating Cash Disbursements	1,750,808	22,492	1,773,300
Operating Income/(Loss)	151,641	(22,492)	129,149
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		164,637	164,637
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	14,622		14,622
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	137,019	142,145	279,164
Transfers-In	65,000		65,000
Transfers-Out		(260,000)	(260,000)
Net Receipts Over/(Under) Disbursements	202,019	(117,855)	84,164
Fund Cash Balances, January 1	858,130	346,232	1,204,362
<b>Fund Cash Balances, December 31</b>	<b>\$1,060,149</b>	<b>\$228,377</b>	<b>\$1,288,526</b>
Reserve for Encumbrances, December 31	\$7,700	\$378	\$8,078

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



**VILLAGE OF DESHLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$69,321	\$35,360	\$8,701	\$113,382
Intergovernmental Receipts	180,314	41,120	109	221,543
Charges for Services	4,400	20,315		24,715
Fines, Licenses, and Permits	1,579			1,579
Earnings on Investments	39,526	703		40,229
Miscellaneous	147,918	411		148,329
	<u>443,058</u>	<u>97,909</u>	<u>8,810</u>	<u>549,777</u>
<b>Total Cash Receipts</b>				
	<u>443,058</u>	<u>97,909</u>	<u>8,810</u>	<u>549,777</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	167,086			167,086
Public Health Services	5,000			5,000
Leisure Time Activities	26,722	28,514		55,236
Basic Utility Services	1,164			1,164
Transportation	31,428	67,991		99,419
General Government	117,182			117,182
Capital Outlay	60,926	7,094	6,830	74,850
	<u>409,508</u>	<u>103,599</u>	<u>6,830</u>	<u>519,937</u>
<b>Total Cash Disbursements</b>				
	<u>409,508</u>	<u>103,599</u>	<u>6,830</u>	<u>519,937</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>33,550</u>	<u>(5,690)</u>	<u>1,980</u>	<u>29,840</u>
<b>Other Financing Receipts:</b>				
Transfers-In		15,000		15,000
		<u>15,000</u>		<u>15,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements</b>	<u>33,550</u>	<u>9,310</u>	<u>1,980</u>	<u>44,840</u>
<b>Fund Cash Balances, January 1</b>	<u>89,509</u>	<u>56,689</u>	<u>8,397</u>	<u>154,595</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$123,059</u></u>	<u><u>\$65,999</u></u>	<u><u>\$10,377</u></u>	<u><u>\$199,435</u></u>
<b>Reserves for Encumbrances, December 31</b>				

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

**VILLAGE OF DESHLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$1,694,643		\$1,694,643
Miscellaneous	188,897		188,897
Total Operating Cash Receipts	<u>1,883,540</u>		<u>1,883,540</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	329,465	\$14,580	344,045
Fringe Benefits	92,454	4,776	97,230
Contractual Services	795,452	363	795,815
Supplies and Materials	197,753	2,955	200,708
Capital Outlay	367,984	538	368,522
Miscellaneous	9,568		9,568
Total Operating Cash Disbursements	<u>1,792,676</u>	<u>23,212</u>	<u>1,815,888</u>
Operating Income/(Loss)	<u>90,864</u>	<u>(23,212)</u>	<u>67,652</u>
<b>Non-Operating Cash Receipts:</b>			
Property Tax and Other Local Taxes		167,119	167,119
Sale of Fixed Assets	5,050		5,050
Total Non-Operating Cash Receipts	<u>5,050</u>	<u>167,119</u>	<u>172,169</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service	45,822		45,822
Total Non-Operating Cash Disbursements	<u>45,822</u>		<u>45,822</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	50,092	143,907	193,999
Transfers-In	95,000		95,000
Transfers-Out		(110,000)	(110,000)
Net Receipts Over Disbursements	145,092	33,907	178,999
Fund Cash Balances, January 1	<u>713,038</u>	<u>312,325</u>	<u>1,025,363</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$858,130</u></b>	<b><u>\$346,232</u></b>	<b><u>\$1,204,362</u></b>
Reserve for Encumbrances, December 31			

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

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Deshler, Henry County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services

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

**B. Basis of Accounting**

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

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

**C. Cash**

Certificates of deposit are valued at cost

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

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

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

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

*Memorial Field Recreation Fund* - This fund receives property tax revenue, donations and general fund transfers to fund construction of the Park.

*Permissive Motor Vehicle License Tax Fund* - This fund receives permissive motor vehicle tax revenue for constructing, maintaining and repairing Village streets, bridges and viaducts.

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

*Swimming Pool Construction Fund* - This fund receives property tax revenue for capital improvements at the Village swimming pool.

**4. Enterprise Funds**

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

*Water Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Electric Operating Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Fiduciary Funds ( Agency Funds)**

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

*Income Tax Fund* - Receives .5% tax from residents and businesses of the Village to be used for various capital and general operating needs of the Village. This is an Agency Fund and the Village distributes collections by transfer upon Council approval.

**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 object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not certify all commitments required by Ohio law. No material unrecorded encumbrances were outstanding at December 31.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH**

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$904,424	\$884,028
Certificates of deposit	<u>519,769</u>	<u>519,769</u>
Total deposits	<u>\$1,424,193</u>	<u>\$1,403,797</u>

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$548,058	\$435,727	(\$112,331)
Special Revenue	111,156	115,571	4,415
Capital Projects	8,080	8,571	491
Enterprise	1,982,800	1,967,450	(15,350)
Fiduciary	150,000	164,637	14,637
Total	<u>\$2,800,094</u>	<u>\$2,691,956</u>	<u>(\$108,138)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$555,050	\$519,149	\$35,901
Special Revenue	117,750	108,368	9,382
Capital Projects	15,300	257	15,043
Enterprise	2,169,935	1,773,130	396,805
Fiduciary	328,350	282,871	45,479
Total	<u>\$3,186,385</u>	<u>\$2,683,775</u>	<u>\$502,610</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$630,000	\$443,058	(\$186,942)
Special Revenue	83,000	112,909	29,909
Capital Projects	8,900	8,810	(90)
Enterprise	2,085,000	1,983,590	(101,410)
Fiduciary	160,000	167,119	7,119
Total	<u>\$2,966,900</u>	<u>\$2,715,486</u>	<u>(\$251,414)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$589,400	\$409,508	\$179,892
Special Revenue	133,700	103,599	30,101
Capital Projects	17,200	6,830	10,370
Enterprise	2,788,400	1,838,498	949,902
Fiduciary	472,100	133,212	338,888
Total	<u>\$4,000,800</u>	<u>\$2,491,647</u>	<u>\$1,509,153</u>

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

Contrary to Ohio Administrative Code § 117-5-10, the Village did not report estimated resources in its fiscal year 2000 financial statements. In fiscal year 1999, estimated revenues reported in the financial statements in the General Fund did not agree with the Amended Certificates approved by Council and filed with the County Auditor. The budgetary financial note correctly reflects approved budgeted resources.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

**5. DEBT**

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$151,391	4%
Federal Signal Corp. Fire Truck Lease	71,222	5.70%
Total	<u>\$222,613</u>	

The Ohio Public Works Commission Loan related to a sanitary sewer improvement project. The Federal Signal Corporation Fire Truck lease is a Lease Purchase agreement. The lease will be paid in full in fiscal year 2001 with the Village assuming the title of the truck.

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

<u>Year ending December 31:</u>	<u>OPWC Loan</u>	<u>Federal Signal Corporation Truck Lease</u>
2001	\$7,311	\$75,281
2002	14,623	
2003	14,622	
2004	14,623	
2005	14,622	
Subsequent	131,601	
Total	<u>\$197,402</u>	<u>\$75,281</u>

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. ELECTRIC SYSTEM NOTE**

The Village has Electric System Improvement Bond Anticipation Notes with American Municipal Power-Ohio Inc. (AMP-Ohio) for \$1,250,000. AMP-Ohio renewed the Notes in July 10 of 2000. The Village will be required to pay AMP-Ohio once all construction has been completed. As of the report date construction had not yet commenced. After construction completion and at the subsequent maturity of the notes, Deshler will pay AMP-Ohio all interest due on the Notes plus an amount of principal equal to the amount of principal which would be due in the corresponding year on a loan in the original principal amount of such series, for a term of twenty years at the interest rate borne by the Notes. AMP-Ohio will use its best efforts to refinance the remaining principal of the Notes. If AMP-Ohio is unable to refinance the Notes, it shall give the Village thirty (30) days' notice of such inability, and the Village shall pay to AMP-Ohio all amounts necessary to retire the notes at maturity. The Village could obtain the necessary financing from other sources.

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% for fiscal year 1999 and 10.84% for fiscal year 2000 of participants' gross salaries. The Village had a \$12,939 contribution still outstanding to the OP&F at December 31, 2000.

**8. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive Municipal Liability;
- Wrongful Acts Liability;
- Law Enforcement Professional Liability;
- Fleet Liability;
- Fleet Physical Damage;
- Buildings and Content;
- Scheduled and Unscheduled Property;
- Electronic and Data Processing Equipment;
- Valuable Papers and Records;
- Broad Form Crime;
- Comprehensive Equipment Breakdown;
- Public Official and Employee Bond; and
- Airport Liability.

The Village also provides health insurance coverage to full-time employees through a private carrier.



VILLAGE OF DESHLER  
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2000 AND 1999  
(Continued)

9. PENDING LITIGATION

The Village is a party to a legal proceeding which seeks damages, although the outcome of this suit is not presently determinable. The Village legal council believes the resolution of the matter will not materially effect the Village's financial condition.

10. PRIOR PERIOD ADJUSTMENT

Certain financial activity related to the Village's summer youth program was previously omitted from the Village's financial statements. The effect of this prior period adjustment on the fund balance of the Special Revenue Fund type is as follows:

	<u>Beginning Fund Balance</u>
<u>Special Revenue Fund</u>	
Amount as previously reported at December 31, 1998	\$51,634
Adjustment	<u>5,055</u>
Amount at January 1, 1999	<u><u>\$56,689</u></u>

This adjustment had no material effect on the excess of cash receipts over disbursements as previously reported.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Deshler, Henry County, Ohio, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 6, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings as items 2000-30153-001 and 2000-30153-002. We also noted certain immaterial instances of noncompliance that are not required to be reported under *Government Auditing Standards* that we have reported to management of the Village in a separate letter dated April 6, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 6, 2001.

Village of Deshler  
Henry County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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This report is intended for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 6, 2001

VILLAGE OF DESHLER  
HENRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30135-001

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

Should this requirement not be met, the section provides two exceptions which could prevent the contract from being void:

- A. Concerning contracts where the amount in question is \$1,000 or greater, the fiscal officer should present to the taxing authority of the subdivision or taxing unit a certificate stating that, at both the time the contract was made and at the time of the issuance of said certificate, a sufficient sum had been appropriated and was in the treasury or in the process of being collected and that money was free from any encumbrances. Within thirty days from the receipt of the certificate, the legislative authority may authorize a warrant for the payment of the amount due.
- B. Concerning amounts less than \$1,000, the fiscal officer must issue a certificate stating the same as in the first exception. However, the fiscal officer does not need to seek the approval of the legislative authority in order to authorize the payment of the contract.

This code section states that fiscal officers may prepare so-called "regular blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current fiscal year. The regular blanket certificates may, but need not, be limited to a specific vendor. Only one regular blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

In addition to regular blanket certificates, a subdivision's fiscal officer may also issue so-called "super blanket" certificates for amounts over \$5,000 for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

The Clerk-Treasurer did not make the proper certification of funds for 47 percent of the transactions tested during the audit period. We recommend that the Clerk-Treasurer certify all expenditures at the point when the contract is entered into or orders for goods or services are placed by Village officials. The certification can also be made through the use of "regular blanket", "then and now" or "super blanket" certificates.

**FINDING NUMBER 2000-30135-002**

**Noncompliance Citation**

Ohio Administrative Code § 117-5-10 (replaced by Ohio Administrative Code § 117-2-02, as of July 1, 2000) states each village shall maintain a receipts ledger which shall contain a separate sheet for each account established by the village. The Village shall post to each receipts account the estimated amount of money to be received into the account as specified by the county budget commission in its official estimate of balances and receipts set forth in the certificate of estimated resources.

In 2000, no estimated revenue amounts were posted to the revenue history reports (the receipts ledger). In 1999, estimated revenues on the revenue history reports in the General Fund did not agree with the Amended Certificates approved by Council and filed with the County Auditor by \$130,000 (21%). The budgetary financial note correctly reflects amounts from the certificate of estimated resources for 2000 and 1999.

Inaccurate budget to actual comparisons could cause management to draw incorrect conclusions regarding fiscal position.

We recommend the taxes revenue and total other sources revenue amounts posted to the revenue history reports should be reconciled with the taxes revenue and total other sources revenue amounts officially approved on the Amended Certificates of Estimated Resources.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2000-30135-001	ORC § 5705.41(D) improper fiscal officer certification of certain expenditures.	No	Not Corrected.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF DESHLER**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 3, 2001**