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INDEPENDENT ACCOUNTANTS' REPORT

Village of Deshler Henry County 101 E. Main Street Deshler, OH 43516-1286

To the Village Council:

We have audited the accompanying financial statements of the Village of Deshler (the Village) as of and for the years ended December 31, 2002 and 2001. 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 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. 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, 2002 and 2001, 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 22, 2003 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 audits.

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www.auditor.state.oh.us

Village of Deshler Henry County Independent Accountants' Report Page 2

Butty Montgomery

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.

Betty Montgomery

Auditor of State

April 22, 2003

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				
	General	Special Revenue	Capital Projects	Totals (Memorandum Only)	
Cash Receipts:					
Property Tax and Other Local Taxes	\$66,860	\$36,047	\$7,375	\$110,282	
Intergovernmental Receipts	102,080	40,833	, ,-	142,913	
Charges for Services	3,200	16,241	427	19,868	
Fines, Licenses, and Permits	2,405	-,		2,405	
Earnings on Investments	22,366	417		22,783	
Miscellaneous	119,452	447	1_	119,900	
Total Cash Receipts	316,363	93,985	7,803	418,151	
Cash Disbursements:					
Current:					
Security of Persons and Property	222,700			222,700	
Public Health Services	5,000			5,000	
Leisure Time Activities	23,058	24,242		47,300	
Basic Utility Services	964			964	
Transportation	1,979	86,818		88,797	
General Government	113,888			113,888	
Capital Outlay	103,077	18,404	18,398	139,879	
Total Cash Disbursements	470,666	129,464	18,398	618,528	
Total Cash Disbursements Over Cash Receipts	(154,303)	(35,479)	(10,595)	(200,377)	
Other Financing Receipts and (Disbursements):					
Transfers-In	239,000	23,000		262,000	
Transfers-Out	(84,000)			(84,000)	
Total Other Financing Receipts/(Disbursements)	155,000	23,000		178,000	
Excess of Cash Receipts and Other Financing					
Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	697	(12,479)	(10,595)	(22,377)	
Fund Cash Balances, January 1	1,172	68,572	25,673	95,417	
Fund Cash Balances, December 31	\$1,869	\$56,093	\$15,078	\$73,040	
Reserves for Encumbrances, December 31	\$6,000			\$6,000	

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, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$1,657,201		\$1,657,201
Miscellaneous	48,903		48,903
Total Operating Cash Receipts	1,706,104		1,706,104
Operating Cash Disbursements:			
Personal Services	352,095	\$16,444	368,539
Fringe Benefits	95,111	7,459	102,570
Contractual Services	728,961		728,961
Supplies and Materials	200,382	998	201,380
Capital Outlay	9,915	841	10,756
Miscellaneous	234,205		234,205
Total Operating Cash Disbursements	1,620,669	25,742	1,646,411
Operating Income/(Loss)	85,435	(25,742)	59,693
Non-Operating Cash Receipts: Property Tax and Other Local Taxes		172,159	172,159
Non-Operating Cash Disbursements:			
Debt Service	351,908		351,908
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers Transfers-In	(266,473) 94,000	146,417	(120,056) 94,000
Transfers-Out		(272,000)	(272,000)
Net Disbursements Over Receipts	(172,473)	(125,583)	(298,056)
Fund Cash Balances, January 1	1,284,328	143,552	1,427,880
Fund Cash Balances, December 31	\$1,111,855	\$17,969	\$1,129,824
Reserve for Encumbrances, December 31			

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				
	General	Special Revenue	Capital Projects	Totals (Memorandum Only)	
Cash Receipts:					
Property Tax and Other Local Taxes	\$63,885	\$34,891	\$7,575	\$106,351	
Intergovernmental Receipts	102,908	40,869	758	144,535	
Charges for Services	4,400	17,917		22,317	
Fines, Licenses, and Permits	1,832			1,832	
Earnings on Investments	37,327	1,057		38,384	
Miscellaneous	96,036	60		96,096	
Total Cash Receipts	306,388	94,794	8,333	409,515	
Cash Disbursements: Current:					
Security of Persons and Property	189,810			189,810	
Public Health Services	5,000			5,000	
Leisure Time Activities	28,517	25,452		53,969	
Basic Utility Services	849			849	
Transportation	1,968	73,116		75,084	
General Government	109,724	,		109,724	
Capital Outlay	109,033	2,272	1,352	112,657	
Total Cash Disbursements	444,901	100,840	1,352	547,093	
Total Cash Receipts Over/					
(Under) Cash Disbursements	(138,513)	(6,046)	6,981	(137,578)	
Other Financing Receipts and (Disbursements):					
Transfers-In	152,500			152,500	
Transfers-Out	(55,172)			(55,172)	
Total Other Financing Receipts/(Disbursements)	97,328			97,328	
Excess of Cash Receipts and Other Financing					
Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(41,185)	(6,046)	6,981	(40,250)	
Fund Cash Balances, January 1	42,357	74,618	18,692	135,667	
Fund Cash Balances, December 31	\$1,172	\$68,572	\$25,673	\$95,417	
Reserves for Encumbrances, December 31	\$30,072	\$55,000		\$85,072	

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, 2001

Operating Cash Receipts: Suppose the content of Trust Totals (Memorandum only) Charges for Services \$1,702,904 \$1,702,904 Miscellaneous 133,751 \$133,751 Total Operating Cash Receipts 1,836,655 \$1,836,655 Operating Cash Disbursements: Personal Services 365,291 \$15,822 381,113 Finge Benefits 79,478 5,767 787,225 Contractual Services 787,225 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 983 214,841 Capital Outlay 264,898 40,898 40,898 Miscellaneous 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,644 Non-Operating Cash Disbursements 114,622 14,622 14,622 Excess of Cash Receipts 14,622 14,622 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682		Proprietary Fund Type	Fiduciary Fund Type	_
Charges for Services \$1,702,904 \$1,702,904 Miscellaneous 133,751 133,751 Total Operating Cash Receipts 1,836,655 1,836,655 Operating Cash Disbursements: Personal Services 365,291 \$15,822 381,113 Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 983 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Cash Receipts: 113,629 (23,989) 89,640 Non-Operating Cash Disbursements: 161,664 161,664 Non-Operating Cash Disbursements: 99,007 137,675 236,682 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 (222,500) (222,500) Net Receipts Over/(U		Enterprise	-	(Memorandum
Miscellaneous 133,751 133,751 Total Operating Cash Receipts 1,836,655 1,836,655 Operating Cash Disbursements: Personal Services 365,291 \$15,822 381,113 Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: 2 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements<	Operating Cash Receipts:			
Total Operating Cash Receipts 1,836,655 1,836,655 Operating Cash Disbursements: Personal Services 365,291 \$15,822 381,113 Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: 161,664 161,664 Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825)	Charges for Services	\$1,702,904		\$1,702,904
Operating Cash Disbursements: Personal Services 365,291 \$15,822 381,113 Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: 161,664 161,664 161,664 Non-Operating Cash Disbursements: 20,989 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 20,000 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 <t< td=""><td>Miscellaneous</td><td>133,751</td><td></td><td>133,751</td></t<>	Miscellaneous	133,751		133,751
Personal Services 365,291 \$15,822 381,113 Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: 161,664 161,664 Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526	Total Operating Cash Receipts	1,836,655		1,836,655
Fringe Benefits 79,478 5,767 85,245 Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Operating Cash Disbursements:			
Contractual Services 787,225 787,225 Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: 161,664 161,664 Property Tax and Other Local Taxes 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements: 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Personal Services	365,291	\$15,822	381,113
Supplies and Materials 213,858 983 214,841 Capital Outlay 264,898 264,898 Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Fringe Benefits	79,478	5,767	85,245
Capital Outlay Miscellaneous 264,898 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts:	Contractual Services	787,225		787,225
Miscellaneous 12,276 1,417 13,693 Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements:	Supplies and Materials	213,858	983	214,841
Total Operating Cash Disbursements 1,723,026 23,989 1,747,015 Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Capital Outlay	264,898		264,898
Operating Income/(Loss) 113,629 (23,989) 89,640 Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: 2 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Miscellaneous	12,276	1,417	13,693
Non-Operating Cash Receipts: Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 8 137,675 236,682 Before Interfund Transfers 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Total Operating Cash Disbursements	1,723,026	23,989	1,747,015
Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Operating Income/(Loss)	113,629	(23,989)	89,640
Property Tax and Other Local Taxes 161,664 161,664 Non-Operating Cash Disbursements: Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Non-Operating Cash Receipts:			
Debt Service 14,622 14,622 Excess of Cash Receipts Over Cash Disbursements 99,007 137,675 236,682 Before Interfund Transfers 99,007 137,675 236,682 Transfers-In 125,172 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	• •		161,664	161,664
Excess of Cash Receipts Over Cash Disbursements Before Interfund Transfers 99,007 137,675 236,682 Transfers-In 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Non-Operating Cash Disbursements:			
Before Interfund Transfers 99,007 137,675 236,682 Transfers-In 125,172 125,172 Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Debt Service	14,622		14,622
Transfers-In Transfers-Out 125,172 125,172 Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Excess of Cash Receipts Over Cash Disbursements			
Transfers-Out (222,500) (222,500) Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Before Interfund Transfers	99,007	137,675	236,682
Net Receipts Over/(Under) Disbursements 224,179 (84,825) 139,354 Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Transfers-In	125,172		125,172
Fund Cash Balances, January 1 1,060,149 228,377 1,288,526 Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Transfers-Out		(222,500)	(222,500)
Fund Cash Balances, December 31 \$1,284,328 \$143,552 \$1,427,880	Net Receipts Over/(Under) Disbursements	224,179	(84,825)	139,354
	Fund Cash Balances, January 1	1,060,149	228,377	1,288,526
Reserve for Encumbrances, December 31 \$115,483 \$115,483	Fund Cash Balances, December 31	\$1,284,328	\$143,552	\$1,427,880
	Reserve for Encumbrances, December 31	\$115,483		\$115,483

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

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, water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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 that is 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.

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

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001 (Continued)

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 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 fund:

Income Tax Fund – Receives .5 percent 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.

NOTES TO THE FINANCIAL STATEMENTS **DECEMBER 31, 2002 AND 2001** (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 encumber all commitments required by Ohio law and did not close "super blanket" certificates at the end of 2002.

A summary of 2002 and 2001 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. Accumulated Leave

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

2. **EQUITY IN POOLED CASH**

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:

	2002	2001
Demand deposits	\$791,932	\$1,112,365
Certificates of deposit	410,932	410,932
Total deposits	1,202,864	1,523,297

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001 (Continued)

2002 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$629,892	\$555,363	(\$74,529)
Special Revenue	110,926	116,985	6,059
Capital Projects	8,324	7,803	(521)
Enterprise	2,289,700	1,800,104	(489,596)
Fiduciary	160,000	172,159	12,159
Total	\$3,198,842	\$2,652,414	(\$546,428)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Appropriation	Budgetary	
Authority	Expenditures	Variance
\$570,780	\$560,666	\$10,114
173,850	129,464	44,386
34,000	18,398	15,602
3,001,550	1,972,577	1,028,973
302,800	297,742	5,058
\$4,082,980	\$2,978,847	\$1,104,133
	Authority \$570,780 173,850 34,000 3,001,550 302,800	Authority Expenditures \$570,780 \$560,666 173,850 129,464 34,000 18,398 3,001,550 1,972,577 302,800 297,742

2001 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$560,000	\$458,888	(\$101,112)
Special Revenue	102,488	94,794	(7,694)
Capital Projects	8,302	8,333	31
Enterprise	2,331,500	1,961,827	(369,673)
Fiduciary	165,000	161,664	(3,336)
Total	\$3,167,290	\$2,685,506	(\$481,784)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Zoo'i Duagetea vs.	Actual Duagetaly	Dasis Experialitary	
	Appropriation	Budgetary	_
Fund Type	Authority	Expenditures	Variance
General	\$616,520	\$530,145	\$86,375
Special Revenue	150,015	155,840	(5,825)
Capital Projects	15,300	1,352	13,948
Enterprise	2,343,800	1,853,131	490,669
Fiduciary	377,828	246,489	131,339
Total	\$3,503,463	\$2,786,957	\$716,506

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001 (Continued)

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 payments, 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. LOCAL INCOME TAX

The Village levies a municipal income tax of .5 percent on substantially all earned income arising from employment, residency, or business activities within 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.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$133,737	4%

The Ohio Public Works Commission (OPWC) loan relates to a sanitary sewer improvement project.

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

Year ending December 31:	OPWC Loan
2003	\$7,311
2004	14,622
2005	14,622
2006	14,623
2007	14,622
2008 – 2012	73,111
Subsequent	29,245
Total	\$168,156

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001 (Continued)

7. ELECTRIC SYSTEM NOTE

The Village executed a loan agreement with Amp Ohio in the amount of \$1,250,000 on June 18, 1999 for the construction of a 69 kV electric transmission line for use in the Village's municipal electric system. As of December 31, 2002, the amount due AMP Ohio is \$810,000. The loan is secured by revenues from the Village's electric system and will mature on July 10, 2003, at which time the Village has agreed to pay AMP Ohio all interest due 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 for a term of twenty years at the interest rate which is currently 2.10 percent per annum. If AMP-Ohio is unable to refinance it shall give the Village thirty (30) days' notice of such inability and the Village shall pay to AMP-Ohio all amounts necessary at maturity. The Village could obtain the necessary financing from other sources if the need arises. This is the Villages third renewal.

8. RETIREMENT SYSTEMS

The Village's law enforcement belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS 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 2002 and 2001, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001. The Village had a \$4,558 contribution still outstanding to the OP&F at December 31, 2002.

9. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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

Village of Deshler Henry County 101 E. Main Street Deshler, OH 43516-1286

To the Village Council:

We have audited the accompanying financial statements of the Village of Deshler (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 22, 2003. We conducted our audits 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.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-30135-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 22, 2003.

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 22, 2003.

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Village of Deshler Henry County Independent Accountants' Report on Compliance and on Internal Control Required by *Government Auditing Standards* Page 2

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

Betty Montgomery Auditor of State

Betty Montgomery

April 22, 2003

SCHEDULE OF FINDINGS DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-30135-001

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 (effective April 7, 2003 the amount is \$3,000) 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 (effective April 7, 2003 the amount is \$3,000), 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 any amount 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 32 percent of the transactions tested during the audit period. Also super blanket certificates in the amount of \$151,075 were not cancelled at 2002 year-end; these were adjusted from the financial statements. 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. "Blanket" and "super blanket" certificates should be cancelled at the end of each fiscal year.

SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2000-30135-001	ORC § 5705.41 (D) improper fiscal officer certification of certain expenditures	No	Not corrected, reissued as Finding # 2002-30135-001.
2000-30135-002	OAC § 117-5-10 Failure to maintain a receipts ledger containing official budgetary amounts	No	Substantially corrected, reducing this matter to a management letter recommendation. OAC § 117-5-10 no longer valid.



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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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED MAY 27, 2003