



Mary Taylor, CPA
Auditor of State

VILLAGE OF DESHLER
HENRY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	21

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Mary Taylor, CPA
Auditor of State

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

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.

Mary Taylor

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July 7, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2008 and 2007. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Deshler, Henry County, as of December 31, 2008 and 2007, 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 July 7, 2009, 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.



Mary Taylor, CPA
Auditor of State

July 7, 2009

**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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$65,648	\$44,492	\$6,935	\$117,075
Income Tax		382,625		382,625
Intergovernmental	208,302	72,243	24,010	304,555
Charges for Services	2,500			2,500
Fines, Licenses and Permits	4,902			4,902
Earnings on Investments	20,210	83		20,293
Miscellaneous	19,680	1,145		20,825
	<u>321,242</u>	<u>500,588</u>	<u>30,945</u>	<u>852,775</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	192,849			192,849
Public Health Services	6,000			6,000
Leisure Time Activities	13,191	19,996		33,187
Community Environment	6,839			6,839
Basic Utility Service	1,386			1,386
Transportation	1,000	265,740		266,740
General Government	101,835	46,520		148,355
Capital Outlay	128,744	10,000	144,291	283,035
	<u>451,844</u>	<u>342,256</u>	<u>144,291</u>	<u>938,391</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under)Cash Disbursements	<u>(130,602)</u>	<u>158,332</u>	<u>(113,346)</u>	<u>(85,616)</u>
Other Financing Receipts / (Disbursements):				
Other Debt Proceeds			123,479	123,479
Sale of Capital Assets	600			600
Transfers-In	230,000	181,000	600	411,600
Transfers-Out	(101,134)	(421,600)		(522,734)
	<u>129,466</u>	<u>(240,600)</u>	<u>124,079</u>	<u>12,945</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,136)	(82,268)	10,733	(72,671)
Fund Cash Balances, January 1	<u>1,752</u>	<u>315,642</u>	<u>29,666</u>	<u>347,060</u>
Fund Cash Balances, December 31	<u>\$616</u>	<u>\$233,374</u>	<u>\$40,399</u>	<u>\$274,389</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,760,324
Operating Cash Disbursements:	
Personal Services	490,907
Employee Fringe Benefits	167,120
Contractual Services	1,680,282
Supplies and Materials	261,640
Other	12,385
Total Operating Cash Disbursements	2,612,334
Operating Income	147,990
Non-Operating Cash Receipts:	
Property and Other Local Taxes	
Intergovernmental	36,519
Interest Revenue	207
Miscellaneous Receipts	43,891
Other Financing Sources	2,174
Total Non-Operating Cash Receipts	82,791
Non-Operating Cash Disbursements:	
Capital Outlay	62,816
Redemption of Principal	95,994
Interest and Other Fiscal Charges	3,206
Total Non-Operating Cash Disbursements	162,016
Excess of Receipts Over Disbursements Before Interfund Transfers	68,765
Transfers-In	111,134
Net Receipts Over Disbursements	179,899
Fund Cash Balances, January 1	1,238,016
Fund Cash Balances, December 31	\$1,417,915
Reserve for Encumbrances, December 31	\$9,880

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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$70,281	\$56,726	\$7,495	\$134,502
Income Taxes		359,650		359,650
State Shared Taxes and Permits	\$183,519			183,519
Intergovernmental		74,034	271,724	345,758
Charges for Services	2,500			2,500
Fines, Licenses and Permits	6,770			6,770
Earnings on Investments	28,105	357		28,462
Miscellaneous	13,348	3,479		16,827
	<u>304,523</u>	<u>494,246</u>	<u>279,219</u>	<u>1,077,988</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	211,096			211,096
Public Health Services	6,000			6,000
Leisure Time Activities	9,151	16,283		25,434
Basic Utility Service	305			305
Transportation	1,000	131,496		132,496
General Government	86,284	53,380		139,664
Debt Service:				
Principal Payments			127,417	127,417
Capital Outlay	46,853		1,583,327	1,630,180
	<u>360,689</u>	<u>201,159</u>	<u>1,710,744</u>	<u>2,272,592</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(56,166)</u>	<u>293,087</u>	<u>(1,431,525)</u>	<u>(1,194,604)</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:			1,449,512	1,449,512
Sale of Capital Assets	750			750
Transfers-In	155,000		5,000	160,000
Transfers-Out	(103,385)	(173,000)		(276,385)
	<u>52,365</u>	<u>(173,000)</u>	<u>1,454,512</u>	<u>1,333,877</u>
Total Other Financing Receipts / (Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,801)	120,087	22,987	139,273
Fund Cash Balances, January 1	<u>5,553</u>	<u>195,555</u>	<u>6,679</u>	<u>207,787</u>
Fund Cash Balances, December 31	<u>\$1,752</u>	<u>\$315,642</u>	<u>\$29,666</u>	<u>\$347,060</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 - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$2,680,608
Operating Cash Disbursements:	
Personal Services	471,095
Employee Fringe Benefits	163,310
Contractual Services	1,829,443
Supplies and Materials	268,641
Other	12,534
Total Operating Cash Disbursements	2,745,023
Operating Loss	(64,415)
Non-Operating Cash Receipts:	
Intergovernmental	48,293
Interest Receipts	387
Miscellaneous Receipts	53,446
Other Non-Operating Cash Receipts	1,080
Other Financing Sources	22,156
Total Non-Operating Cash Receipts	125,362
Non-Operating Cash Disbursements:	
Capital Outlay	112,987
Redemption of Principal	18,046
Interest and Other Fiscal Charges	3,649
Total Non-Operating Cash Disbursements	134,682
Excess of Disbursements Over Receipts Before Interfund Transfers	(73,735)
Transfers-In	116,385
Net Receipts Over Disbursements	42,650
Fund Cash Balances, January 1	1,195,366
Fund Cash Balances, December 31	\$1,238,016

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, 2008 AND 2007**

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 Deshler Village, Henry County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

The Village participants in the Ohio Government Risk Management Plan public entity risk pool. Note 10 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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. Deposits and Investments

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

The Village values certificates of deposits 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 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 Funds:

VILLAGE OF DESHLER
HENRY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

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

Income Tax Fund – This fund receives a 1 percent tax from residents and businesses of the Village. The Village distributes collections by transfer upon Council approval.

3. **Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant capital project funds:

Sewer Capital Projects Fund – This fund receives proceeds and grant for the construction of the waste water plant.

Swimming Pool Renovation Fund – This fund receives tax levy money for renovations to the Village's swimming pool.

4. **Enterprise Funds**

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

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

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

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

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, 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. Unencumbered appropriations lapse at year end.

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2008 and 2007 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.

G. Accumulated Leave

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

2. Restatement of Fund Balance

The beginning balance of the Electric Fund (an Enterprise Fund) was restated to correct a misclassification of fiscal year 2006 debt payments. The fund reclassifications had the following effect on the Village's fund balances as they were previously reported as of December 31, 2006:

	Enterprise Fund Type
Fund Balance as previously reported 12/31/06	<u>\$1,199,654</u>
Reclassification of fund balance	<u>(4,288)</u>
Fund Balance as restated at 1/1/07	<u><u>\$1,195,366</u></u>

3. Equity in Pooled Deposits

The Village maintains a cash pool all funds use. The Electric Fund holds a 5 year loan with the Village's Water Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Equity in Pooled Deposits (Continued)

	2008	2007
Demand deposits	\$1,277,282	\$1,163,189
Certificates of deposit	410,932	410,932
Water fund loan	4,090	10,955
Total deposits	\$1,692,304	\$1,585,076

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$655,000	\$551,842	(\$103,158)
Special Revenue	778,500	681,588	(96,912)
Capital Projects	30,900	155,024	124,124
Enterprise	3,052,000	2,954,249	(97,751)
Total	\$4,516,400	\$4,342,703	(\$173,697)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$649,760	\$552,978	\$96,782
Special Revenue	1,088,280	763,856	324,424
Capital Projects	58,200	144,291	(86,091)
Enterprise	3,663,040	2,784,230	878,810
Total	\$5,459,280	\$4,245,355	\$1,213,925

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$560,374	\$460,273	(\$100,101)
Special Revenue	580,570	494,246	(86,324)
Capital Projects	2,008,409	1,733,731	(274,678)
Enterprise	3,186,072	2,922,355	(263,717)
Total	\$6,335,425	\$5,610,605	(\$724,820)

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$596,950	\$464,074	\$132,876
Special Revenue	741,025	374,159	366,866
Capital Projects	2,015,000	1,710,744	304,256
Enterprise	3,776,350	2,879,705	896,645
Total	\$7,129,325	\$5,428,682	\$1,700,643

5. Property Tax

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

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

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.

6. Local Income Tax

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

7. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission 1994	\$ 71,553	4.00%
Ohio Public Works Commission 2007	38,415	
Ohio Water Development Authority Loan	1,493,924	
Water Fund Loan	4,089	2.65%
Total	\$1,607,981	

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Debt (Continued)

The Ohio Public Works Commission (OPWC) 1994 loan relates to a sewer plant expansion project. The Loans will be repaid in semi-annual installments through the year 2014. The loan is secured by the revenues from the Village's sewer system.

The Ohio Public Works Commission (OPWC) 2007 loan relates to a well field development project. The Loans will be repaid in semi-annual installments through the year 2029. The loan is secured by the revenues from the Village's water and sewer system.

The Ohio Water Development Authority (OWDA) loan relates to an Environmental Protection Agency mandated project to separate the sanitary sewer lines from the current sewer system. The Village will install new taps to the owner's property. The loan will be repaid in semi-annual installments through the year 2028. The loan is secured by the revenues from the Village's water and sewer system.

The Water Fund Loan is an obligation of the Water Fund due to the Village's Electric Fund for the purpose of making improvements to the water system. The Loan will be repaid in monthly installments through the year 2010. The loan is secured by the revenues from the Village's water system.

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

Year ending December 31:	Ohio Public Works Commission 1994	Ohio Public Works Commission 2007	OWDA loan	Water Fund Loan
2009	\$7,311	\$960	\$39,342	\$4,126
2010	14,622	1,921	78,683	
2011	14,622	1,921	78,683	
2012	14,622	1,921	78,683	
2013	14,622	1,921	78,683	
2014-2018	14,622	9,604	393,415	
2019-2023		9,604	393,415	
2024-2028		9,603	353,020	
2029		960		
Total	<u>\$ 80,421</u>	<u>\$ 38,415</u>	<u>\$ 1,493,924</u>	<u>\$ 4,126</u>

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. Leases

Leases outstanding at December 31, 2008 were as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2006 Police Cruiser Lease	\$ 11,315	7.79%
2008 Police Cruiser Lease	14,942	5.74%
Total	<u>\$ 26,257</u>	

The 2006 Police Cruiser Lease relates to the purchase of a vehicle for the police department. The loan will be paid in bi-monthly installments until 2011.

The 2008 Police Cruiser Lease relates to the purchase of a vehicle for the police department. The loan will be paid in yearly installments until 2010.

Principal and interest requirements to retire lease-purchase commitments outstanding at December 31, 2008, were as follows:

	2006 Police Cruiser Lease	2008 Police Cruiser Lease
Year ending December 31:		
2009	\$5,154	\$8,355
2010	5,154	8,355
2011	1,473	
Total	<u>\$11,781</u>	<u>\$16,710</u>

9. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OP&F participants contributed 10% of their wages. For 2008 and 2007, the Village contributed to OP&F an amount equal to 24% of full-time police members' wages. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85% respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

10. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

**VILLAGE OF DESHLER
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

10. Risk Management (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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 issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.



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

To the Village Council:

We have audited the financial statements of the Village of Deshler, Henry County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 7, 2009 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 finding 2008-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 7, 2009.

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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

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



Mary Taylor, CPA
Auditor of State

July 7, 2009

**VILLAGE OF DESHLER
HENRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Revised Code, § 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 Clerk-Treasurer is attached thereto. The Clerk-Treasurer must certify 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 where a Clerk-Treasurer'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.

1. **"Then and Now" certificate** – If the Clerk-Treasurer can certify that both at the time the contract or order was made ("then"), and at the time the Clerk-Treasurer 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 the 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 Clerk-Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Clerk-Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of 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.
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 Clerk-Treasurer 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 current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

24 Percent of the transactions tested were certified by the Clerk-Treasurer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2008-001
(Continued)**

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 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 the Clerk-Treasurer certify the funds which are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Clerk-Treasurer certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders include the certification language 5705.41(D) requires to authorize disbursements. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-002

Material Weakness

Monitoring of Financial Transactions

Inaccurate posting of transactions impedes the ability of the Council to accurately assess the financial status of the Village. We noted examples such as the following during our audit:

- Community Improvement Corporation infrastructure grant of \$42,400 was recorded as miscellaneous revenue rather than intergovernmental revenue in 2008.
- Debt Proceeds of \$751,100 and \$35,015 was recorded as Other Financing Sources rather than Debt Proceeds in the Capital Projects Fund in 2007 and 2008 respectively.
- OWDA Loan proceeds and corresponding expenditures spent on the behalf of the Village of \$142,465 and \$88,080 in 2007 and 2008 were not recorded. See comments above concerning these amounts I assume all these amounts are loans?

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements have been adjusted so these transactions reflect their intended use.

We recommend the Clerk-Treasurer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to ensure that errors and omissions are detected and corrected.

Officials' Response:

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

**VILLAGE OF DESHLER
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 5705.41 (D) Improper fiscal officer certification of certain expenditures.	No	Not corrected, reissued as finding 2008-001 in this report.
2006-002	Village income tax ordinance 1543 Lack of proper records.	No	Partially corrected, reissued as a recommendation in the management letter.
2006-003	Monitoring of Financial Transactions.	No	Not corrected, reissued as finding 2008-002 in this report.



Mary Taylor, CPA
Auditor of State

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
JULY 30, 2009**