



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEXTER CITY
NOBLE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

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

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Mary Taylor, CPA
Auditor of State

July 7, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Dexter City, Noble County, Ohio (the Village), as of and for the years ended December 31, 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. 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 for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Dexter City, Noble County, Ohio, as of December 31, 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.

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

Mary Taylor, CPA
Auditor of State

July 7, 2009

VILLAGE OF DEXTER CITY
NOBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$2,508			\$2,508
Intergovernmental	12,611	\$12,844		25,455
Charges for Services	310		\$300	610
Earnings on Investments	42	322	382	746
	<u>15,471</u>	<u>13,166</u>	<u>682</u>	<u>29,319</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,470	261		3,731
Public Health Services			1,009	1,009
Leisure Time Activities	3,443			3,443
Transportation		7,236		7,236
General Government	13,108	2,092	200	15,400
	<u>20,021</u>	<u>9,589</u>	<u>1,209</u>	<u>30,819</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(4,550)	3,577	(527)	(1,500)
Fund Cash Balances, January 1	(2,604)	30,820	10,299	38,515
Fund Cash Balances, December 31	<u><u>(\$7,154)</u></u>	<u><u>\$34,397</u></u>	<u><u>\$9,772</u></u>	<u><u>\$37,015</u></u>

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

VILLAGE OF DEXTER CITY
NOBLE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Local Taxes	\$2,086			\$2,086
Intergovernmental	12,677	\$12,565		25,242
Charges for Services	100		\$200	300
Earnings on Investments	39	553	503	1,095
	<u>14,902</u>	<u>13,118</u>	<u>703</u>	<u>28,723</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,319			3,319
Public Health Services			128	128
Leisure Time Activities	3,954			3,954
Transportation		7,700		7,700
General Government	11,835		80	11,915
Debt Service:				
Redemption of Principal		937		937
Interest and Fiscal Charges		19		19
	<u>19,108</u>	<u>8,656</u>	<u>208</u>	<u>27,972</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(4,206)	4,462	495	751
Fund Cash Balances, January 1 (Restated - See Note 2)	1,602	26,358	9,804	37,764
Fund Cash Balances, December 31	<u>(\$2,604)</u>	<u>\$30,820</u>	<u>\$10,299</u>	<u>\$38,515</u>

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 the Village of Dexter City, Noble County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides maintenance of the Village's streets, park and cemetery and also provides street lighting services.

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

B. Accounting Basis

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

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

C. Deposits

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Permanent Funds

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

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

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 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.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

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

2. RESTATEMENT OF FUND BALANCES

For the year ended December 31, 2006, adjustments resulted in fund balance restatements as follows:

Governmental Fund Type	Fund Balance at December 31, 2006	Restatement Amount	Fund Balance at January 1, 2007
General	\$ 2,497	\$ (895)	\$ 1,602
Special Revenue	25,463	895	26,358

In the prior audit, the Township posted more employee withholdings from the Street Construction, Maintenance and Repair Fund that should have been posted to the General Fund. This adjustment was not significant to the 2006-05 financial statements.

3. EQUITY IN POOLED DEPOSITS

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

	2008	2007
Demand deposits	\$ 18,794	\$ 9,694
Certificates of deposit	18,221	28,821
Total deposits	<u>\$ 37,015</u>	<u>\$ 38,515</u>

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

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	\$ 20,730	\$ 15,471	\$ (5,259)
Special Revenue	14,450	13,166	(1,284)
Permanent	400	682	282
Total	<u>\$ 35,580</u>	<u>\$ 29,319</u>	<u>\$ (6,261)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 13,600	\$ 20,021	\$ (6,421)
Special Revenue	17,500	9,589	7,911
Permanent	300	1,209	(909)
Total	<u>\$ 31,400</u>	<u>\$ 30,819</u>	<u>\$ 581</u>

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

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

4. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 14,770	\$ 14,902	\$ 132
Special Revenue	10,350	13,118	2,768
Permanent	406	703	297
Total	\$ 25,526	\$ 28,723	\$ 3,197

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 19,108	\$ (19,108)
Special Revenue	0	8,656	(8,656)
Permanent	0	208	(208)
Total	\$ 0	\$ 27,972	\$ (27,972)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, State Highway and Cemetery Funds in the amount of \$6,421, \$753 and \$909, respectively, for the year ending December 31, 2008. Also, contrary to Ohio law, at December 31, 2008, the General Fund and Walking Track Funds had a cash deficit balance of \$7,154 and \$5,000, respectively.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Street Construction Maintenance and Repair, State Highway, Cemetery and Bode Estate Funds in the amount of \$19,108, \$7,224, \$1,432, \$128 and \$80, respectively, for the year ending December 31, 2007. Also contrary to Ohio law, at December 31, 2007, the General Fund and Walking Track Funds had a cash deficit balance of \$2,604 and \$5,000, respectively.

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.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

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

6. SOCIAL SECURITY BENEFITS

The elected officials and employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2008 and 2007, these elected officials and employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2008.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Dexter City, Noble County, Ohio (the Village), as of and for the years ended December 31, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider findings 2008-002 and 2008-006 through 2008-008 described in the accompanying Schedule of Findings to be significant deficiencies 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. Of the significant deficiencies described above, we believe finding number 2008-007 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2008-001 through 2008-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 7, 2009.

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

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



Mary Taylor, CPA
Auditor of State

July 7, 2009

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

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

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

FINDING NUMBER 2008-001

Noncompliance Citation

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

12/31/2007		12/31/2008	
Fund	Balance	Fund	Balance
General Fund	\$ (2,604)	General Fund	\$ (7,154)
Walking Track Fund	(5,000)	Walking Track Fund	(5,000)

This is a result of overspending by the Village and was due to a lack of budgetary oversight by management.

We recommend the Village take the necessary steps to eliminate negative fund balances and only post disbursements into a fund for the purposes for which such fund has been established. We also recommend the Village establish a plan to curtail unnecessary spending in order to eliminate negative fund balances.

Officials' Response: Donations were to be collected before doing the project.

FINDING NUMBER 2008-002

Noncompliance Citation and Significant Deficiency

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

A transfer of \$4,000 from the General Fund to the Walking Track Fund in 2008 was not approved by the Village Council. This could result in funds being improperly transferred without the consent or knowledge of Village Council. The adjustment to remove this transfer from the financial statements has been agreed to by management and made to the financial statements.

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

Officials' Response: The Village Council approved the transfer, but the approval must not have been typed in the minutes.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Rev. Code Section 5705.38 states on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the County Budget Commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

Also, Ohio Rev. Code Section 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

The Village Council did not adopt appropriations for 2007 and did not adopt the 2008 appropriations until February 28, 2008. This resulted in expenditures exceeding appropriations in every fund for the period January 1, 2007 through December 31, 2007, and for the period January 1, 2008 through February 28, 2008.

We recommend on or about the first day of each fiscal year, the Village Council pass a temporary appropriation measure for meeting the ordinary expenses until the permanent measure is adopted.

Officials' Response: This is the way the Village has always done this since the current Clerk-Treasurer has been in her position.

FINDING NUMBER 2008-004

Noncompliance Citation

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

Expenditures exceeded appropriations at December 31, 2008, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 13,600	\$ 20,021	\$ (6,421)
State Highway	0	753	(753)
Cemetery	300	1,209	(909)

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(B) (Continued)

Expenditures exceeded appropriations at December 31, 2007, in the following funds:

Fund	Appropriation Authority	Actual Expenditures	Variance
General	\$0	\$ 19,108	\$ (19,108)
Street Constuction, Maintenance and Repair	0	7,224	(7,224)
State Highway	0	1,432	(1,432)
Cemetery	0	128	(128)
Bode Estate	0	80	(80)

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

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

Officials' Response: This is the way it's always been done. We are a very small Village.

FINDING NUMBER 2008-005

Noncompliance Citation

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

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005 (Continued)

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

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

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

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

None of the non-payroll transactions issued in 2007 and 2008 had the prior certification of the Village Clerk-Treasurer, nor was there any evidence the Village Clerk-Treasurer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-005 (Continued)

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

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

Officials’ Response: We have never used. Our Village is too small.

FINDING NUMBER 2008-006

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

During 2007 and 2008, estimated revenue per the amended certificates was not posted to the Village’s receipts journal.

At December 31, 2008, estimated revenue per the amended certificates did not agree to the estimated revenue the Village Clerk-Treasurer entered into the annual financial report as follows:

<u>Fund</u>	<u>Estimated Receipts Per Budget Commission</u>	<u>Amount Per Annual Financial Report</u>	<u>Variance</u>
General	\$ 20,730	\$ 19,180	\$ 1,550
Walking Track	4,000	0	4,000
Bode Estate	200	0	200

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

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

FINDING NUMBER 2008-006 (Continued)

Significant Deficiency (Continued)

At December 31, 2007, estimated revenue per the amended certificates did not agree to the estimated revenue the Village Clerk-Treasurer entered into the annual financial report as follows:

<u>Fund</u>	<u>Estimated Receipts Per Budget Commission</u>	<u>Amount Per Annual Financial Report</u>	<u>Variance</u>
General	\$ 14,770	\$ 13,150	\$ 1,620
Cemetery	117	223	(106)
Bode Estate	289	0	289

During 2007 and 2008, the appropriations per the annual appropriation ordinance were not posted to the Village's appropriation journal. Also, the line items listed in the appropriation journals were not consistent with the line items listed in the annual appropriation ordinances.

During 2008, appropriations as approved by the Village Council did not agree to the appropriations the Village Clerk-Treasurer entered into the annual financial report as follows:

<u>Fund</u>	<u>Appropriations Per Village Council</u>	<u>Appropriations Per Annual Financial Report</u>	<u>Variance</u>
General	\$ 13,600	\$ 13,680	\$ (80)
Street Construction, Maintenance and Repair	17,500	9,650	7,850
State Highway	0	800	(800)
Cemetery	300	200	100

During 2007, appropriations as approved by the Village Council did not agree to the appropriations the Village Clerk-Treasurer entered into the annual financial report as follows:

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

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

FINDING NUMBER 2008-006 (Continued)

Significant Deficiency (Continued)

Fund	Appropriations Per Village Council	Appropriations Per Annual Financial Report	Variance
General	\$0	\$ 18,650	\$ (18,650)
Street Construction, Maintenance and Repair	0	9,650	(9,650)
State Highway	0	700	(700)
Cemetery	0	117	(117)

Due to budgetary information being improperly entered into the annual financial report and ledgers, the management of the Village was not able to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Village Clerk-Treasurer record in the receipts journal the estimated revenue from the amended certificates of estimated resources approved by the Budget Commission. We further recommend the amounts be carried forward to the annual financial report at the correct amounts as approved by the Budget Commission. We recommend the Village Clerk-Treasurer post appropriations from the appropriation ordinances to the appropriation journal and the annual financial report. We also recommend the line items listed in the appropriation journal be consistent with those listed in the appropriation ordinances. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response: Due to time constraints, the Clerk-Treasurer got done what had to be done.

FINDING NUMBER 2008-007

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village misclassified and misposted tax receipts, intergovernmental receipts, interest, utility payments, cemetery disbursements, debt payments, transfers, and other various receipts and disbursements, including fund balance adjustments, to the Village receipt and disbursement ledgers and to the annual financial report submitted to the Auditor of State for fiscal years 2008 and 2007. In addition, there were certain receipts and disbursements that were posted to the ledgers that were not posted to the annual financial report. Further, the fund balances on the combined statement in the annual financial report for 2007 did not agree to the audited fund balances at December 31, 2006. The combined and combining statements in the annual financial report for 2007 and 2008 did not foot correctly. These misstatements had the following net effect on the Village's financial statements as of December 31, 2008:

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2008
(Continued)**

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

FINDING NUMBER 2008-007 (Continued)

Material Weakness (Continued)

Fund	Annual Financial Report Fund Balance 12/31/2008	Audited Fund Balance 12/31/2008	Net Adjustment
General	(\$261)	(\$7,154)	(\$6,893)
Street Construction, Maintenance and Repair	27,828	38,723	10,895
Walking Track	(1,000)	(5,000)	(4,000)
Bode Estate	6,122	6,625	503
Cemetery	3,746	3,147	(599)
Total			(\$94)

These misstatements were caused by management oversight. As a result, significant adjustments and reclassifications, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Village Clerk-Treasurer refer to the Ohio Village Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures.

Officials' Response: The Clerk-Treasurer will try to improve in this area.

FINDING NUMBER 2008-008

Significant Deficiency

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

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

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

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2008-008
(Continued)**

Significant Deficiency (Continued)

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

Officials' Response: Our Village is very small, and only a few individuals take an interest.

**VILLAGE OF DEXTER CITY
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 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	Contrary to Ohio Rev. Code Section 117.38, the 2005 and 2006 annual reports were not filed with Auditor of State.	No	Partially Corrected; Reissued in the Management Letter.
2006-002	Contrary to Ohio Rev. Code Section 5705.09(F), the Village did not establish a special fund for monies received from a permissive motor vehicle license tax and FEMA.	No	Partially Corrected; Reissued in the management letter.
2006-003	Contrary to Ohio Rev. Code Section 5705.10(H), the Village had a deficit fund balance in the Walking Track Fund, a Special Revenue Fund.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-001.
2006-004	Contrary to Ohio Rev. Code Section 5705.14 (E), the Village did not approve all transfers.	No	Not Corrected: Reissued in the current Schedule of Findings as 2008-002.
2006-005	Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources.	Yes	
2006-006	Contrary to Ohio Rev. Code Section 5705.41(B), the Village had expenditures which exceeded appropriations.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-004.
2006-007	Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not certify the availability of funds.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-005.
2006-008	Contrary to Ohio Admin Code Section 117-2-02(C)(1), the Village did not post estimated receipts and appropriations to its ledgers.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-006.
2006-009	Contrary to Ohio Admin Code Section 117-2-02 (A), the Village had numerous reclassifications and adjustments resulting in fund balance adjustments.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-007.
2006-010	Lack of segregation of duties and proper monitoring of financial information by the Village Council.	No	Not Corrected; Reissued in the current Schedule of Findings as 2008-008.



Mary Taylor, CPA
Auditor of State

VILLAGE OF DEXTER CITY

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 18, 2009**