



Dave Yost • Auditor of State



VILLAGE OF DESHLER  
HENRY COUNTY

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# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 11, 2011

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# Dave Yost • 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, 2010 and 2009. 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(A) mandates 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, 2010 and 2009 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, 2010 and 2009, 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, Ohio as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011, 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.



**Dave Yost**  
Auditor of State

October 11, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$71,896	\$28,857	\$7,305	\$108,058
Income Tax		249,967		249,967
Intergovernmental	159,254	69,749	1,739,779	1,968,782
Charges for Services	2,500			2,500
Fines, Licenses and Permits	9,004			9,004
Earnings on Investments	5,211	51		5,262
Miscellaneous	10,746	44	100,000	110,790
	<u>258,611</u>	<u>348,668</u>	<u>1,847,084</u>	<u>2,454,363</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	141,595			141,595
Public Health Services	6,000			6,000
Leisure Time Activities	15,405	7,946		23,351
Community Environment	7,298			7,298
Basic Utility Service	1,100			1,100
Transportation	1,000	67,743		68,743
General Government	82,545	55,718		138,263
Debt Service:				
Redemption of Principal			43,364	43,364
Capital Outlay	17,721		2,681,932	2,699,653
	<u>272,664</u>	<u>131,407</u>	<u>2,725,296</u>	<u>3,129,367</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under)Cash Disbursements</b>	<u>(14,053)</u>	<u>217,261</u>	<u>(878,212)</u>	<u>(675,004)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds			871,860	871,860
Sale of Capital Assets	29,875			29,875
Transfers-In	40,000			40,000
Transfers-Out	(60,747)	(50,000)		(110,747)
	<u>9,128</u>	<u>(50,000)</u>	<u>871,860</u>	<u>830,988</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(4,925)	167,261	(6,352)	155,984
<b>Fund Cash Balances, January 1</b>	<u>5,324</u>	<u>334,000</u>	<u>41,092</u>	<u>380,416</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$399</u></u>	<u><u>\$501,261</u></u>	<u><u>\$34,740</u></u>	<u><u>\$536,400</u></u>
<b>Reserve for Encumbrances, December 31</b>			<u><u>\$95,190</u></u>	<u><u>\$95,190</u></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, 2010**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,399,033
<b>Operating Cash Disbursements:</b>	
Personal Services	510,940
Employee Fringe Benefits	143,047
Contractual Services	1,330,797
Supplies and Materials	222,878
Other	11,460
Total Operating Cash Disbursements	2,219,122
Operating Income	179,911
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	30,743
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	26,089
Redemption of Principal	91,041
Interest and Other Fiscal Charges	4,186
Total Non-Operating Cash Disbursements	121,316
Excess of Receipts Over Disbursements Before Interfund Transfers	89,338
Transfers-In	70,747
Net Receipts Over Disbursements	160,085
Fund Cash Balances, January 1	1,846,643
<b>Fund Cash Balances, December 31</b>	<b>\$2,006,728</b>
Reserve for Encumbrances, December 31	\$5,376

*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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$68,293	\$27,811	\$6,925	\$103,029
Income Taxes		325,840		325,840
Intergovernmental	168,698	69,053	9,102	246,853
Charges for Services	2,500			2,500
Fines, Licenses and Permits	4,705			4,705
Earnings on Investments	10,332	51		10,383
Miscellaneous	17,067			17,067
Total Cash Receipts	<u>271,595</u>	<u>422,755</u>	<u>16,027</u>	<u>710,377</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	172,188			172,188
Public Health Services	6,000			6,000
Leisure Time Activities	12,027	7,938		19,965
Community Environment	7,673			7,673
Basic Utility Service	1,000			1,000
Transportation	705	91,108		91,813
General Government	94,135	48,083		142,218
Capital Outlay	56,410		63,038	119,448
Total Cash Disbursements	<u>350,138</u>	<u>147,129</u>	<u>63,038</u>	<u>560,305</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(78,543)</u>	<u>275,626</u>	<u>(47,011)</u>	<u>150,072</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Loan Proceeds			47,704	47,704
Transfers-In	165,000			165,000
Transfers-Out	(81,749)	(175,000)		(256,749)
Total Other Financing Receipts / (Disbursements)	<u>83,251</u>	<u>(175,000)</u>	<u>47,704</u>	<u>(44,045)</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	4,708	100,626	693	106,027
Fund Cash Balances, January 1	<u>616</u>	<u>233,374</u>	<u>40,399</u>	<u>274,389</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$5,324</u></b>	<b><u>\$334,000</u></b>	<b><u>\$41,092</u></b>	<b><u>\$380,416</u></b>

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

**VILLAGE OF DESHLER  
HENRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$2,760,892
<b>Operating Cash Disbursements:</b>	
Personal Services	521,278
Employee Fringe Benefits	162,080
Contractual Services	1,587,415
Supplies and Materials	251,977
Other	12,938
Total Operating Cash Disbursements	2,535,688
Operating Income	225,204
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	41,069
Sale of Public Debt	204,126
Total Non-Operating Cash Receipts	245,195
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	34,069
Redemption of Principal	90,560
Interest and Other Fiscal Charges	8,791
Total Non-Operating Cash Disbursements	133,420
Excess of Receipts Over Disbursements Before Interfund Transfers	336,979
Transfers-In	91,749
Net Receipts Over Disbursements	428,728
Fund Cash Balances, January 1	1,417,915
<b>Fund Cash Balances, December 31</b>	<b>\$1,846,643</b>
Reserve for Encumbrances, December 31	\$1,312

*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, 2010 AND 2009**

**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 Deshler, 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 9 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 deposit 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, 2010 AND 2009  
(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 .75 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:

Water Capital Projects Fund – This fund receives loans and grant for the construction of the 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, 2010 AND 2009  
(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.

A summary of 2010 and 2009 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. 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:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$1,932,196	\$1,616,127
Certificates of deposit	410,932	410,932
Municipal Gas Fund Loan	200,000	200,000
Total deposits	<u>\$2,543,128</u>	<u>\$2,227,059</u>

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

The Electric Fund holds a loan from the Village's Municipal Gas Fund.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$442,242	\$328,486	(\$113,756)
Special Revenue	344,893	348,668	3,775
Capital Projects	3,018,446	2,718,944	(299,502)
Enterprise	2,895,668	2,500,523	(395,145)
Total	<u>\$6,701,249</u>	<u>\$5,896,621</u>	<u>(\$804,628)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$436,161	\$333,411	\$102,750
Special Revenue	675,400	181,407	493,993
Capital Projects	3,023,070	2,820,486	202,584
Enterprise	3,531,085	2,345,814	1,185,271
Total	<u>\$7,665,716</u>	<u>\$5,681,118</u>	<u>\$1,984,598</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$579,400	\$436,595	(\$142,805)
Special Revenue	397,563	422,755	25,192
Capital Projects	1,206,099	63,731	(1,142,368)
Enterprise	3,437,939	3,097,836	(340,103)
Total	<u>\$5,621,001</u>	<u>\$4,020,917</u>	<u>(\$1,600,084)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$579,129	\$431,887	\$147,242
Special Revenue	628,900	322,129	306,771
Capital Projects	1,246,000	63,038	1,182,962
Enterprise	3,865,590	2,670,420	1,195,170
Total	<u>\$6,319,619</u>	<u>\$3,487,474</u>	<u>\$2,832,145</u>

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax**

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

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

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

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

**5. Local Income Tax**

The Village levies a municipal income tax of .75 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.

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission 1994	\$ 47,317	4.00%
Ohio Public Works Commission 2007	34,573	
Ohio Water Development Authority Loan 4648	1,336,558	
Ohio Water Development Authority Loan 5481	877,964	
Municipal Gas Fund Loan	200,000	3.00%
Total	\$2,496,412	

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 4648 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.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Debt (Continued)**

In 2009, the Village entered into a loan agreement 5481 with the Ohio Water Development Authority (OWDA), as administrator for the U.S. Environmental Protection Agency, for the Village to receive a loan in the amount of \$1,750,102 for the water treatment plant. The amount is subject to change and has not been finalized. The interest rate on the loan is 0% per annum. The construction has not been completed to date and a final amortization schedule is unavailable. The loan will be repaid in semiannual installments over 20 years, but is not included in the accompanying amortization schedule.

The Municipal Gas Loan is an obligation of the Municipal Gas Fund due to the Village's Electric Fund for the purpose of initial capitalization of the system. The Loan will be repaid annually, commencing on the first anniversary date after the system is operational and continuing on the anniversary day thereafter until principal is paid. The loan is secured by the revenues from the Municipal Gas system. As of October 11, 2011, the system is not in full operation.

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

Year ending December 31:	Ohio Public Works Commission Principal	Ohio Public Works Commission Interest	OWDA loan
2011	\$7,325	\$946	\$78,683
2012	15,034	1,508	78,683
2013	15,563	979	78,683
2014	16,115	427	78,683
2015	1,920		78,683
2016-2020	9,605		393,415
2021-2025	9,605		393,415
2026-2029	6,723		156,313
Total	<u>\$81,890</u>	<u>\$3,860</u>	<u>\$1,336,558</u>

**7. Lease**

Lease outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
2006 Police Cruiser Lease	\$1,462	7.79%

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. Principal of \$1,462 and interest of \$11 was outstanding at December 31, 2010.

**8. Retirement Systems**

The Village's full-time Police 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.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**9. Risk Management**

**Risk Pool Membership**

Prior to 2009, the Village belonged 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 Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

**VILLAGE OF DESHLER  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. Risk Management (Continued)**

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

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: 2010 and 2009, and include amounts for both OPRM and OPHC:

	<b>2010</b>		<b>2009</b>	
	<b>OPRM</b>	<b>OPHC</b>	<b>OPRM</b>	<b>OPHC</b>
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$7,191,485</u>	<u>\$300,035</u>	<u>\$6,323,701</u>	<u>\$105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).



# Dave Yost • 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, 2010 and 2009, and have issued our report thereon dated October 11, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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(A) mandates 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-002 described in the accompanying schedule of findings to be a significant deficiency.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 11, 2011.

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



**Dave Yost**  
Auditor of State

October 11, 2011

**VILLAGE OF DESHLER  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Monitoring Financial Statements**

**Material Weakness**

Accurate financial reporting is the responsibility of the Clerk-Treasurer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The financial statements contained errors such as the following:

- \$428,949 in Loan Proceeds were incorrectly reported as Intergovernmental Revenue in the Capital Projects Fund during 2010.
- \$43,364 of Intergovernmental Revenue from the Ohio Water Development Authority which was used to payoff an existing loan was not recorded in the Capital Projects Fund in 2010.

The financial statements and schedules presented have been adjusted to reflect these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

**FINDING NUMBER 2010-002**

**Income Tax Procedures**

**Significant Deficiency**

The following deficiencies were noted in testing of income tax revenue:

- Minimal effort for follow-up as to why returns had not been filed.
- Penalties and interest were not assessed consistently for delinquent tax filings.
- Thirteen percent of tax returns tested did not have adequate supporting documentation.

To increase accountability and control over the collection of income tax we recommend:

- The Clerk-Treasurer needs to ascertain which taxpayers have not filed income tax returns and seek submission of returns from those individuals or businesses.
- Penalties and interest should be assessed to delinquent filers as required by the Income Tax Ordinance.
- Every tax return should have W-2s and other supporting schedules to support the amounts reported.

**Officials' Response:**

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

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**VILLAGE OF DESHLER  
HENRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC 5705.41 (D) Improper fiscal officer certification of certain expenditures.	No	Partially corrected, reissued in the management letter.
2008-002	Monitoring of Financial Transactions.	No	Not corrected, repeated as finding 2010-001 in this report.

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# Dave Yost • 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  
OCTOBER 25, 2011