



OHIO AUDITOR OF STATE  
**KEITH FABER**





VILLAGE OF DESHLER  
HENRY COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2019 .....	4
Notes to the Financial Statements - For the Year Ended December 31, 2019.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018 .....	16
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type For the Year Ended December 31, 2018 .....	17
Notes to the Financial Statements - For the Year Ended December 31, 2018.....	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Schedule of Findings .....	31

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# OHIO AUDITOR OF STATE KEITH FABER



One Government Center, Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Deshler, Henry County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2019 and 2018, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Desher, Henry County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

June 12, 2020

**Village of Deshler**  
*Henry County*  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$122,624	\$10,134	\$10,134	\$142,892
Municipal Income Tax		371,040		371,040
Intergovernmental	61,409	126,584	81,699	269,692
Charges for Services	45,150	400		45,550
Fines, Licenses and Permits	15,584			15,584
Earnings on Investments	2,657	28		2,685
Miscellaneous	40,419	3,855		44,274
<i>Total Cash Receipts</i>	<u>287,843</u>	<u>512,041</u>	<u>91,833</u>	<u>891,717</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	196,826			196,826
Public Health Services	8,000			8,000
Leisure Time Activities	7,738	25,315		33,053
Community Environment	8,917			8,917
Basic Utility Services	2,500			2,500
Transportation	1,475	138,164		139,639
General Government	81,742	50,310		132,052
Capital Outlay	86,475	38,412	168,202	293,089
Debt Service:				
Principal Retirement	30,917	3,494	10,780	45,191
Interest and Fiscal Charges	1,141	869		2,010
<i>Total Cash Disbursements</i>	<u>425,731</u>	<u>256,564</u>	<u>178,982</u>	<u>861,277</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(137,888)</u>	<u>255,477</u>	<u>(87,149)</u>	<u>30,440</u>
<b>Other Financing Receipts (Disbursements)</b>				
Loans Issued			81,445	81,445
Transfers In	215,000	60,000	10,780	285,780
Transfers Out	(65,190)	(300,780)		(365,970)
Other Financing Uses	(1,100)			(1,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>148,710</u>	<u>(240,780)</u>	<u>92,225</u>	<u>155</u>
<i>Net Change in Fund Cash Balances</i>	10,822	14,697	5,076	30,595
<i>Fund Cash Balances, January 1</i>	<u>28,869</u>	<u>226,293</u>	<u>5,571</u>	<u>260,733</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		240,990		240,990
Committed			10,647	10,647
Assigned	39,691			39,691
<i>Fund Cash Balances, December 31</i>	<u>\$39,691</u>	<u>\$240,990</u>	<u>\$10,647</u>	<u>\$291,328</u>

See accompanying notes to the financial statements

**Village of Deshler**  
*Henry County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**Proprietary Fund Type**  
*For the Year Ended December 31, 2019*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$4,127,167
<b>Operating Cash Disbursements</b>	
Personal Services	672,136
Employee Fringe Benefits	204,713
Contractual Services	2,369,729
Supplies and Materials	230,040
Other	6,448
<i>Total Operating Cash Disbursements</i>	3,483,066
<i>Operating Income</i>	644,101
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	2,271
Other Debt Proceeds	250,000
Miscellaneous Receipts	69,069
Capital Outlay	(523,517)
Principal Retirement	(325,645)
Interest and Other Fiscal Charges	(43,867)
<i>Total Non-Operating Receipts (Disbursements)</i>	(571,689)
<i>Income before Transfers</i>	72,412
Transfers In	80,190
<i>Net Change in Fund Cash Balances</i>	152,602
<i>Fund Cash Balances, January 1</i>	3,007,840
<i>Fund Cash Balances, December 31</i>	\$3,160,442

*See accompanying notes to the financial statements*



**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 - Reporting 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 and Mayor directs the Village. The Village provides water, electric, gas, and sewer utilities; park operations; and police services. The Village no longer provides fire services, as the Corn City Fire District was formed in 2016.

***Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a joint venture, two jointly governed organizations, and two public entity risk pools. Notes 6, 11, 12, and 13 to the financial statements provide additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Permissive Tax Fund – This fund receives money from the State for repairing Village Streets.

Income Tax Fund – This fund receives money from residents and individuals who live and work in the Village limits.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Water Capital Improvements Fund - This fund receives money from loans and grants for sewer capital improvements.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**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.

Gas Operating Fund - This fund receives charges for services from residents to cover natural gas service costs.

Storm Sewer Fund – This fund receives charges for services from residents to cover storm sewer services costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

**Appropriations:** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 approve estimated resources.

**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 2019 budgetary activity appears in Note 3.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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***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.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable:*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted:*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed:*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned:*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned:*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$635,520	\$502,843	(\$132,677)
Special Revenue	624,435	572,041	(52,394)
Capital Projects	219,770	184,058	(35,712)
Enterprise	4,397,467	4,528,697	131,230
Total	\$5,877,192	\$5,787,639	(\$89,553)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$646,121	\$493,607	\$152,514
Special Revenue	689,448	557,636	131,812
Capital Projects	208,970	178,982	29,988
Enterprise	6,026,318	4,644,370	1,381,948
Total	\$7,570,857	\$5,874,595	\$1,696,262

**Note 4 – Deposits**

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

	2019
Demand deposits	\$2,735,838
Certificates of deposit	710,931
Other time deposits (savings and NOW accounts)	4,676
Petty Cash	325
Total deposits	\$3,451,770

**Deposits**

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

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Note 5 – Taxes**

***Property Taxes***

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.

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

***Income Taxes***

The Village levies a municipal income tax of 1.0 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.

**Note 6 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018 (the latest information available).

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**Note 7 - Defined Benefit Pension Plans**

**A. Ohio Police and Fire Pension Fund and Ohio Public Employees Retirement System**

The Village's two full-time Police Officers belong to the Ohio 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. OP&F participants contributed 12.25% of their wages, and the Village contributed an amount equal to 19.5% of full-time police members' wages. 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, 2019.

**B. Social Security**

An employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. The employee contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participant's gross salaries. The Village has paid all contributions required through December 31, 2019.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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**Note 9 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$140,140	0.00%
OPWC Loan - Well Field Development	17,286	0.00%
OPWC Loan - Wastewater Treatment/Pump Station	441,667	0.00%
OPWC Loan - Waterline Loop 1A	128,454	0.00%
OPWC Loan - Waterline Loop 1B	59,985	0.00%
OPWC Loan - Sewer Forcemain Replacement	80,088	0.00%
OWDA Loan - Water Meters & Tower	281,864	3.45%
OWDA Loan - Water Treatment Plant	841,549	0.00%
OWDA Loan - Sewer Separation Project	628,411	0.00%
OWDA Loan - Wastewater & Lagoon	1,078,380	0.78%
Corn City Bank Loan - 2016 Police Cruiser	7,478	3.81%
Corn City Bank Loan - Bucket Truck	43,369	3.02%
Corn City Bank Loan - Replace Gas System	243,292	3.75%
Corn City Bank Loan - Gas System #2	440,579	5.50%
Ohio Dept of Commerce Loan - Firetruck	170,000	0.00%
Total	<u>\$4,602,542</u>	

The Ohio Public Works Commission (OPWC) Main Street Revitalization loan relates to the Main Street revitalization project. This loan will be repaid in semi-annual payments of \$5,390 for 20 years. This loan is secured by the Village's income tax revenue.

The Ohio Public Works Commission (OPWC) Well Field Development loan relates to a well field development project. This loan will be repaid in semi-annual installments of \$960 for 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Public Works Commission (OPWC) Waste Water Treatment Plant (WWTP) and Pump Station loan relates to the pump station and lagoon project. This loan will be repaid in semi-annual payments of \$8,333 for 30 years. This loan is secured by the revenues from the Village's water system.

The Ohio Public Works Commission (OPWC) Waterline Loop Extension & Meter project. Phase 1 of the project was completed in 2017 and will be repaid with monthly payments of \$4,588 for 30 years beginning in 2018. The loan will be secured by the Village's water fund.

The Ohio Public Works Commission (OPWC) Marion Street Waterline Extension Phase 1B and Meter Pits. This project was completed in 2019. This was a joint project with the Henry County Regional Water & Sewer District. The Henry County Regional Water & Sewer District was recently taken over by the Northwestern Water & Sewer District. Semi-annual installment of \$1,017 are paid by the Village of Deshler with reimbursement being made by the Northwestern Water & Sewer District. The loan will be secured by the Village's water fund.

The Ohio Public Works Commission (OPWC) Loan CE24T loan relates to the Sewer Forcemain Replacement project in the Village of Deshler and the Meter and Meter Pit Replacement in the Villages of Hamler and Malinta. This was a joint OPWC project. The Villages of Hamler and Malinta pay their portion of the loan to the Village of Deshler, and Deshler pays OPWC the entire loan amount. In 2019 the Village of Malinta paid the Village of Deshler for their entire portion of the loan, which amounted to \$33,260. Deshler's portion of this loan is secured by the Village's water fund.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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The Ohio Water Development Authority (OWDA) Water Meters & Tower loan relates to an Environmental Protection Agency mandated project to separate the sanitary sewer lines from the current sewer system. The Village installed new taps to owners' properties. The loan will be repaid in semi-annual payments of \$39,342 over 20 years. The loan is secured by revenues from the Village's sewer system.

The Ohio Water Development Authority (OWDA) Water Treatment Plant loan relates to an Environmental Protection Agency project for the construction of a water treatment plant. The loan will be repaid in semi-annual payments of \$36,589 over 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Water Development Authority (OWDA) Sewer Separation Project relates to the purchase of water meters and blasting and repainting of the existing water tower. The loan will be repaid in semi-annual payments of \$9,057 over 30 years. The loan is secured by the revenues from the Village's water system.

The Ohio Water Development Authority (OWDA) Wastewater & Lagoon loan relates to the pump station and lagoon improvements project. The loan will be repaid in semi-annual payments of \$22,561 over 30 years. The loan is secured by the revenues from the Village's water system.

The Corn City State Bank – Police Cruiser loan is for a 2016 police cruiser with semi-annual payments of \$3,848 over 5 years. The loan is secured by the Village's income tax revenue.

The Corn City State Bank – The Streets/Sewer/Land & Building departments utilize the same vehicles and this loan is to pay for a new truck for these departments. The loan will be repaid in monthly installments of \$1,091 and is secured by the income tax fund and revenues from the sewer fund.

The Corn City State Bank – Gas Loan relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,003 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Corn City State Bank – Gas Loan #2 relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,426 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Department of Commerce loan is for the purchase of a new fire truck. This loan will be repaid in quarterly payments of \$5,000 over a 15 year period. The Fire Department is now a separate entity and not under the village. The loan could not be transferred into their name. The Corn City Fire District pays the Village the amount of the loan payment and the Village pays the Ohio Dept. of Commerce the installments.



**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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

Year ending December 31:	OPWC Loans	OWDA Loans	Dept. of Commerce	Corn City State Bank Loans
2020	\$38,703	\$215,099	\$20,000	\$145,930
2021	38,703	215,099	20,000	138,241
2022	38,703	215,099	20,000	138,241
2023	38,703	215,099	20,000	133,874
2024	38,703	215,099	20,000	89,236
2025-2029	191,595	917,076	70,000	235,406
2030-2034	162,353	425,957		
2035-2039	130,013	316,189		
2040-2044	130,013	270,902		
2045-2049	60,131	67,685		
Total	<u>\$867,620</u>	<u>\$3,073,304</u>	<u>\$170,000</u>	<u>\$880,928</u>

**AMP Generating Station (AMPGS) Project**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$172,913. The Village received a credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants and made payments of \$143,800 leaving a net credit balance of impaired costs estimate of \$16,112. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the Village has made payments of \$10,400 to AMP increasing its net credit balance. Also since March 31, 2014 the Village's allocation of additional costs incurred by the project is \$2,058, and interest on the net credit balance credited to the Village has been \$1,208, resulting in a net credit balance at December 31, 2017 of \$25,662. The Village does have a potential PHFU Liability of \$24,116 resulting in a net total potential liability of (-\$1,546), assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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Note: This is the most recent information available at the time the footnotes were prepared.

**Note 10 – Construction and Contractual Commitments**

The Village is committed to an ODNR Natureworks Grant in 2020. The Reservoir Park Pathway Phase III project will total \$39,000. \$18,250 will be received in grant money with the remainder being paid for from donations and the Village's income tax fund.

The Village has also committed to the ODOT Municipal Bridge Program SFY 2022. This is for the replacement of the South Pine Bridge in the Village. The ODOT Municipal Bridge Program will cover 95% of the cost of this project up to the maximum of \$702,240.

**Note 11 – Joint Ventures**

**Woodlawn Union Cemetery:** The Board is comprised of three members consisting of a Bartlow Township Trustee, a Deshler Village Council member and the Cemetery Clerk/Sexton. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations. Both Deshler Village and Bartlow Township help fund the Woodlawn Cemetery with an \$8,000 annual contribution from each.

**Note 12 – Jointly Governed Organizations**

**Corn City Fire District:** The Village participates in a jointly governed organization with the Corn City Fire District. The Corn City Fire District was formed in 2016, and consists of the territorial area of Bartlow Township, Henry County, Ohio, which includes the Village of Deshler. Two members of the Village Council and two Bartlow Township Trustees serve on the Corn City Fire District Board. When the fire department was governed by the Village, a new fire truck was purchased. A loan was obtained from Ohio Department of Commerce. When the new Fire District was formed, the loan was not allowed to be transferred to the Fire District's name. Because of this, the Village still receives and pays the invoices for the loan and the Fire District reimburses the Village. The amount is \$20,000 annually.

**Henry County South Joint Ambulance District:** The District consists of a twelve-member Board of Trustees that governs the District. Each political subdivision within the District appoints one member. One member of Deshler Village Council serves on this Board. The District consists of Bartlow, Flatrock, Marion, Monroe, Pleasant and Richfield Townships, along with the Villages of Hamler, Deshler, Malinta, Holgate and New Bavaria. The District provides emergency medical services within the District.

**Note 13 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 14—Subsequent Events**

The Village is committed to an ODNR NatureWorks Grant in 2020. The Reservoir Park Pathway Phase III project will total \$39,000. \$18,259 will be received in grant money with the remainder being paid for from donations and the Village's income tax fund.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*  
*(Continued)*

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The Village has also committed to the ODOT Municipal Bridge Program for SFY 2022. This is for the replacement of the South Pine Street Bridge in the Village. The ODOT municipal Bridge Program will cover 95% of the cost of this project up to a maximum of \$702,240.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Village of Deshler**  
*Henry County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$127,458	\$10,430	\$10,430	\$148,318
Municipal Income Tax		383,491		383,491
Intergovernmental	64,373	93,268	268	157,909
Charges for Services	47,750			47,750
Fines, Licenses and Permits	16,323			16,323
Earnings on Investments	2,201	173		2,374
Miscellaneous	22,787	8,918		31,705
<i>Total Cash Receipts</i>	<u>280,892</u>	<u>496,280</u>	<u>10,698</u>	<u>787,870</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	215,411			215,411
Public Health Services	8,000			8,000
Leisure Time Activities	6,829	26,731		33,560
Community Environment	8,640			8,640
Basic Utility Services	2,500			2,500
Transportation	1,475	99,481		100,956
General Government	89,834	48,474		138,308
Capital Outlay	59,685	31,893	14,833	106,411
Debt Service:				
Principal Retirement	33,478	1,676	10,780	45,934
Interest and Fiscal Charges	267	505		772
<i>Total Cash Disbursements</i>	<u>426,119</u>	<u>208,760</u>	<u>25,613</u>	<u>660,492</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(145,227)</u>	<u>287,520</u>	<u>(14,915)</u>	<u>127,378</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Debt Proceeds	19,009	19,009		38,018
Transfers In	217,000	24,000	10,780	251,780
Transfers Out	(67,390)	(266,780)		(334,170)
Other Financing Uses	(2,950)			(2,950)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>165,669</u>	<u>(223,771)</u>	<u>10,780</u>	<u>(47,322)</u>
<i>Net Change in Fund Cash Balances</i>	20,442	63,749	(4,135)	80,056
<i>Fund Cash Balances, January 1</i>	<u>8,427</u>	<u>162,544</u>	<u>9,706</u>	<u>180,677</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		226,293		226,293
Committed			5,571	5,571
Assigned	10,601			10,601
Unassigned	18,268			18,268
<i>Fund Cash Balances, December 31</i>	<u>\$28,869</u>	<u>\$226,293</u>	<u>\$5,571</u>	<u>\$260,733</u>

See accompanying notes to the financial statements

**Village of Deshler**  
*Henry County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*Proprietary Fund Type*  
*For the Year Ended December 31, 2018*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$4,260,580
<b>Operating Cash Disbursements</b>	
Personal Services	615,297
Employee Fringe Benefits	198,667
Contractual Services	2,540,724
Supplies and Materials	206,603
Other	9,247
<i>Total Operating Cash Disbursements</i>	<i>3,570,538</i>
<i>Operating Income</i>	<i>690,042</i>
<b>Non-Operating Receipts (Disbursements)</b>	
<b>Intergovernmental</b>	2,661
Other Debt Proceeds	269,009
Sale of Fixed Assets	2,888
Miscellaneous Receipts	29,684
Capital Outlay	(506,795)
Principal Retirement	(276,646)
Interest and Other Fiscal Charges	(33,609)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(512,808)</i>
<i>Income before Transfers</i>	<i>177,234</i>
Transfers In	82,390
<i>Net Change in Fund Cash Balances</i>	<i>259,624</i>
<i>Fund Cash Balances, January 1</i>	<i>2,748,216</i>
<i>Fund Cash Balances, December 31</i>	<i>\$3,007,840</i>

*See accompanying notes to the financial statements*

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting 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 and Mayor directs the Village. The Village provides water, electric, gas, and sewer utilities; park operations; and police services. The Village no longer provides fire services, as the Corn City Fire District was formed in 2016.

***Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a joint venture, two jointly governed organizations, and two public entity risk pools. Notes 6, 11, 12, and 13 to the financial statements provide additional information for these entities.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Permissive Tax Fund – This fund receives money from the State for repairing Village Streets.

Income Tax Fund – This fund receives money from residents and individuals who live and work in the Village limits.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Swimming Pool Capital Fund - This fund receives property tax money for the upkeep of the swimming pool.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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Main Street Revitalization Fund - This fund receives money through a transfer from the Income Tax fund for the debt payment of the OPWC Main Street Revitalization loan.

**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.

Gas Operating Fund - This fund receives charges for services from residents to cover natural gas service costs.

Storm Sewer Fund – This fund receives charges for services from residents to cover storm sewer services costs.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

**Appropriations:** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**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 approve estimated resources.

**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 2018 budgetary activity appears in Note 3.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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***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.

***Capital Assets***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***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.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable:*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted:*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed:*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned:*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned:*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$637,365	\$516,901	(\$120,464)
Special Revenue	609,435	539,289	(70,146)
Capital Projects	204,770	21,478	(183,292)
Enterprise	4,601,692	4,647,212	45,520
Total	\$6,053,262	\$5,724,880	(\$328,382)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$645,283	\$497,797	\$147,486
Special Revenue	657,455	476,060	181,395
Capital Projects	189,970	25,613	164,357
Enterprise	5,802,290	4,684,531	1,117,759
Total	\$7,294,998	\$5,684,001	\$1,610,997

**Note 4 – Deposits**

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

	2018
Demand deposits	\$2,552,649
Certificates of deposit	710,931
Other time deposits (savings and NOW accounts)	4,668
Petty Cash	325
Total deposits	\$3,268,573

**Deposits**

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

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 5 – Taxes**

***Property Taxes***

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.

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

***Income Taxes***

The Village levies a municipal income tax of 1.0 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.

**Note 6 - Risk Management**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

**Note 7 - Defined Benefit Pension Plans**

**A. Ohio Police and Fire Pension Fund and Ohio Public Employees Retirement System**

The Village's two full-time Police Officers belong to the Ohio 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 2018 OP&F participants contributed 12.25% of their wages, and the Village contributed an amount equal to 19.5% of full-time police members' wages. 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, 2018.

**B. Social Security**

An employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. The employee contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries. The Village has paid all contributions required through December 31, 2018.

**Note 8 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$150,920	0.00%
OPWC Loan - Well Field Development	19,207	0.00%
OPWC Loan - Wastewater Treatment/Pump Station	458,333	0.00%
OPWC Loan - Waterline Loop 1A	133,042	0.00%
OWDA Loan - Water Meters & Tower	290,042	3.45%
OWDA Loan - Water Treatment Plant	914,728	0.00%
OWDA Loan - Sewer Separation Project	707,094	0.00%
OWDA Loan - Wastewater & Lagoon	1,114,878	0.78%
Corn City Bank Loan - 2016 Police Cruiser	14,693	3.81%
Corn City Bank Loan - Bucket Truck	53,765	3.02%
Corn City Bank Loan - Replace Gas System	293,208	3.75%
Corn City Bank Loan - Gas System #2	241,425	5.50%
Ohio Dept of Commerce Loan - Firetruck	190,000	0.00%
Total	<u>\$4,581,335</u>	

The Ohio Public Works Commission (OPWC) Main Street Revitalization loan relates to the Main Street revitalization project. This loan will be repaid in semi-annual payments of \$5,390 for 20 years. This loan is secured by the Village's income tax revenue.

The Ohio Public Works Commission (OPWC) Well Field Development loan relates to a well field development project. This loan will be repaid in semi-annual installments of \$960 for 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Public Works Commission (OPWC) Waste Water Treatment Plant (WWTP) and Pump Station loan relates to the pump station and lagoon project. This loan will be repaid in semi-annual payments of \$8,333 for 30 years. This loan is secured by the revenues from the Village's water system.

There was new debt issued for the (OPWC) Waterline Loop Extension & Meter project. Phase 1 of the project was completed in 2017 and will be repaid with monthly payments of \$4,588 for 30 years beginning in 2018. The loan will be secured by the Village's water fund.

The Ohio Water Development Authority (OWDA) Water Meters & Tower loan relates to an Environmental Protection Agency mandated project to separate the sanitary sewer lines from the current sewer system. The Village installed new taps to owners' properties. The loan will be repaid in semi-annual payments of \$39,342 over 20 years. The loan is secured by revenues from the Village's sewer system.

The Ohio Water Development Authority (OWDA) Water Treatment Plant loan relates to an Environmental Protection Agency project for the construction of a water treatment plant. The loan will be repaid in semi-annual payments of \$36,589 over 20 years. The loan is secured by revenues from the Village's water system.

The Ohio Water Development Authority (OWDA) Sewer Separation Project relates to the purchase of water meters and blasting and repainting of the existing water tower. The loan will be repaid in semi-annual payments of \$9,057 over 30 years. The loan is secured by the revenues from the Village's water system.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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The Ohio Water Development Authority (OWDA) Wastewater & Lagoon loan relates to the pump station and lagoon improvements project. The loan will be repaid in semi-annual payments of \$22,561 over 30 years. The loan is secured by the revenues from the Village's water system.

The Corn City State Bank – Police Cruiser loan is for a 2016 police cruiser with semi-annual payments of \$3,848 over 5 years. The loan is secured by the Village's income tax revenue.

The Corn City State Bank – The Streets/Sewer/Land & Building departments utilize the same vehicles and this loan is to pay for a new truck for these departments. The loan will be repaid in monthly installments of \$1,091 and is secured by the income tax fund and revenues from the sewer fund.

The Corn City State Bank – Gas Loan relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,003 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Corn City State Bank – Gas Loan #2 relates to replacing gas lines in the Village and will be repaid with monthly payments of \$5,426 for 10 years. The loan is secured by the revenues from the Village's gas system revenue.

The Department of Commerce loan is for the purchase of a new fire truck. This loan will be repaid in quarterly payments of \$5,000 over a 15 year period. The Fire Department is now a separate entity and not under the village. The loan could not be transferred into their name. The Corn City Fire District pays the Village the amount of the loan payment and the Village pays the Ohio Dept. of Commerce the installments.

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

Year ending December 31:	OPWC Loans	OWDA Loans	Dept. of Commerce	Corn City State Bank Loans
2019	\$33,955	\$215,099	\$20,000	\$72,117
2020	33,955	215,099	20,000	80,846
2021	33,955	215,099	20,000	80,821
2022	33,955	215,099	20,000	73,125
2023	33,955	215,099	20,000	73,125
2024-2028	169,775	995,759	90,000	68,763
2029-2033	149,391	499,135		24,120
2034-2038	106,271	316,189		
2039-2043	106,271	289,017		
2044-2048	60,019	112,808		
Total	<u>\$761,502</u>	<u>\$3,288,403</u>	<u>\$190,000</u>	<u>\$472,917</u>

Corn City State Bank Loans does not include Gas System #2 as the amortization schedule is not yet finalized.

**AMP Generating Station (AMPGS) Project**

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 1,000 kilowatts of a total 771,281 kilowatts, giving the Village a 0.13 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014 of the impaired costs is \$172,913. The Village received a credit of \$45,225 related to the AMPGS costs deemed to have future benefit for the project participants and made payments of \$143,800 leaving a net credit balance of impaired costs estimate of \$16,112. The Village will be leaving the credit balance with AMP to offset any additional costs in the future. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's credit balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014, the Village has made payments of \$10,400 to AMP increasing its net credit balance. Also since March 31, 2014 the Village's allocation of additional costs incurred by the project is \$2,058, and interest on the net credit balance credited to the Village has been \$1,208, resulting in a net credit balance at December 31, 2017 of \$25,662. The Village does have a potential PHFU Liability of \$24,116 resulting in a net total potential liability of (-\$1,546), assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive items such as revenue from leases or sale of all or a portion of the Meigs County site property.

Note: This is the most recent information available at the time the footnotes were prepared.

**Note 10 – Construction and Contractual Commitments**

The Village is committed to an OPWC Sanitary Sewer Force Main Replacement Project in 2019. The engineers were in the planning process of the project during 2018. The project went out for bid in December 2018. Estimated costs are \$154,000 with 50% being OPWC grant money and 50% loan.

**Note 11 – Joint Ventures**

**Woodlawn Union Cemtery:** The Board is comprised of three members consisting of a Bartlow Township Trustee, a Deshler Village Council member and the Cemetery Clerk/Sexton. The Board makes decisions on cost of lot purchases, maintenance of the cemetery, and regulations. Both Deshler Village and Bartlow Township help fund the Woodlawn Cemetery with an \$8,000 annual contribution from each.

**Village of Deshler, Ohio**  
*Henry County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*  
*(Continued)*

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**Note 12 – Jointly Governed Organizations**

**Corn City Fire District:** The Village participates in a jointly governed organization with the Corn City Fire District. The Corn City Fire District was formed in 2016, and consists of the territorial area of Bartlow Township, Henry County, Ohio, which includes the Village of Deshler. Two members of the Village Council and two Bartlow Township Trustees serve on the Corn City Fire District Board. When the fire department was governed by the Village, a new fire truck was purchased. A loan was obtained from Ohio Department of Commerce. When the new Fire District was formed, the loan was not allowed to be transferred to the Fire District's name. Because of this, the Village still receives and pays the invoices for the loan and the Fire District reimburses the Village. The amount is \$20,000 annually.

**Henry County South Joint Ambulance District:** The District consists of a twelve-member Board of Trustees that governs the District. Each political subdivision within the District appoints one member. One member of Deshler Village Council serves on this Board. The District consists of Bartlow, Flatrock, Marion, Monroe, Pleasant and Richfield Townships, along with the Villages of Hamler, Deshler, Malinta, Holgate and New Bavaria. The District provides emergency medical services within the District.

**Note 13 – Public Entity Risk Pool**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**Note 14—Subsequent Events**

The Village will begin an ODNR Land & Water Conservation Fund Grant Project in 2019. This will continue improvements to the Village's Reservoir Park. Total project cost is \$24,098 with \$14,135 of the being received in grant funding. The remaining balance will be supported by community donations along with the Income Tax Fund.

The Village has been approved for Community Development Block Grant funding in 2019 for a sidewalk project at Village Park. Total estimated project cost is \$77,950 with \$40,000 of this begin CDBG funds. The remainder will be secured through the Villages income tax fund.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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One Government Center, Suite 1420  
Toledo, Ohio 43604-2246  
(419) 245-2811 or (800) 443-9276  
NorthwestRegion@ohioauditor.gov

**INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Deshler, Henry County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 12, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

***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, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 12, 2020

**VILLAGE OF DESHLER  
HENRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2019-001**

**Material Weakness – Financial Reporting**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C section 210, paragraphs .A14 & .A16.

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. The Village should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Village's financial statements.

We identified the following errors requiring adjustment to the financial statements for the years ended December 31, 2019 and 2018:

- 2019 General Fund assigned fund balance in the amount of \$39,691 for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54, codified as (GASB) Cod.1800.176 ;
- 2018 General Fund assigned fund balance in the amount of \$10,601 for subsequent year appropriations in excess of estimated receipts has been reclassified from unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54, codified as (GASB) Cod.1800.176.

These errors were not identified and corrected prior to the Village preparing its financial statements due to deficiencies in the Village's internal controls over financial statement monitoring. The accompanying financial statements have been adjusted to reflect these changes. Failing to provide accurate financial information could lead to the Council making misinformed decisions.

To help ensure the Village's financial statements and notes to the financial statements are complete and accurate and to help identify and correct errors and omissions, the Village should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Village Council. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 for information on Governmental Accounting Standards Board Statement No. 54.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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# OHIO AUDITOR OF STATE KEITH FABER



**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 2, 2020**