



Dave Yost • Auditor of State

VILLAGE OF DESHLER
HENRY COUNTY

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Dave Yost • Auditor of State

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, 2017 and 2016.

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.

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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, 2017 and 2016, 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 Deshler, Henry County, Ohio as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2018, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2018

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, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$111,658	\$10,649	\$10,540	\$132,847
Municipal Income Tax		341,220		341,220
Intergovernmental	84,778	102,507	132,437	319,722
Charges for Services	42,500			42,500
Fines, Licenses and Permits	16,397			16,397
Earnings on Investments	1,548	97		1,645
Miscellaneous	38,394	7,124		45,518
<i>Total Cash Receipts</i>	<u>295,275</u>	<u>461,597</u>	<u>142,977</u>	<u>899,849</u>
Cash Disbursements				
Current:				
Security of Persons and Property	210,971			210,971
Public Health Services	7,000			7,000
Leisure Time Activities	12,927	24,741		37,668
Community Environment	8,547			8,547
Basic Utility Services	2,267			2,267
Transportation	1,500	120,230		121,730
General Government	84,503	53,292		137,795
Capital Outlay	153,717	36,460	\$292,877	483,054
Debt Service:				
Principal Retirement	37,612		10,780	48,392
<i>Total Cash Disbursements</i>	<u>519,044</u>	<u>234,723</u>	<u>303,657</u>	<u>1,057,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(223,769)</u>	<u>226,874</u>	<u>(160,680)</u>	<u>(157,575)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds			149,872	149,872
Transfers In	247,425	65,000	10,530	322,955
Transfers Out	(52,452)	(333,954)		(386,406)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>194,973</u>	<u>(268,954)</u>	<u>160,402</u>	<u>86,421</u>
<i>Net Change in Fund Cash Balances</i>	<u>(28,796)</u>	<u>(42,080)</u>	<u>(278)</u>	<u>(71,154)</u>
<i>Fund Cash Balances, January 1</i>	<u>37,223</u>	<u>204,624</u>	<u>9,984</u>	<u>251,831</u>
Fund Cash Balances, December 31				
Restricted		162,544		162,544
Committed			9,706	9,706
Unassigned	8,427			8,427
<i>Fund Cash Balances, December 31</i>	<u>\$8,427</u>	<u>\$162,544</u>	<u>\$9,706</u>	<u>\$180,677</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, 2017

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$3,673,279</u>
Operating Cash Disbursements	
Personal Services	552,880
Employee Fringe Benefits	186,084
Contractual Services	2,131,787
Supplies and Materials	160,750
Claims	<u>8,805</u>
<i>Total Operating Cash Disbursements</i>	<u>3,040,306</u>
<i>Operating Income</i>	<u>632,973</u>
Non-Operating Receipts (Disbursements)	
Sale of Fixed Assets	32,775
Miscellaneous Receipts	38,431
Capital Outlay	(549,446)
Principal Retirement	(290,288)
Interest and Other Fiscal Charges	<u>(36,521)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(805,049)</u>
<i>Income before Transfers</i>	(172,076)
Transfers In	<u>63,451</u>
<i>Net Change in Fund Cash Balances</i>	(108,625)
<i>Fund Cash Balances, January 1</i>	<u>2,856,841</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,748,216</u></u>

See accompanying notes to the financial statements

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 seven-member Council 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 11, 12, 13 and 6 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:

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, 2017
(Continued)

Issue 2 Street Improvements Fund—This fund received money from OPWC to assist with the funding of paving the village streets.

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. This is a new fund that was established in 2017.

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 2017 budgetary activity appears in Note 3.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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, 2017
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$666,107	\$542,700	(\$123,407)
Special Revenue	604,115	526,598	(77,517)
Capital Projects	608,109	303,379	(304,730)
Enterprise	3,778,175	3,807,936	29,761
Total	\$5,656,506	\$5,180,613	(\$475,893)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$699,959	\$573,107	\$126,852
Special Revenue	671,051	569,264	101,787
Capital Projects	642,162	372,063	270,099
Enterprise	5,512,081	3,962,736	1,549,345
Total	\$7,525,253	\$5,477,170	\$2,048,083

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:

	2017
Demand deposits	\$2,213,301
Certificates of deposit	710,931
Other time deposits (savings and NOW accounts)	4,661
Total deposits	\$2,928,893

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, 2017
(Continued)

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 equity at December 31, 2016 (the latest information available):

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	\$5,234,206

You can read the complete audited financial statements for OPRM at the Plan's website, 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 three 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 2017 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, 2017.

B. Social Security

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. The Mayor is the only elected official receiving Social Security. The Mayor contributed 6.2 percent of his gross salaries. The Village's liability is 6.2% of wages paid. The Village has paid all contributions required through December 31, 2017.

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 of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$161,700	0.00%
OPWC Loan - Well Field Development	21,128	0.00%
OPWC Loan - Wastewater Treatment/Pump Station	475,000	0.00%
OPWC Loan - Waterline Loop Extension & Meter	137,629	0.00%
OPWC Loan - Marion Street Water Extension	12,243	0.00%
OWDA Loan - Water Meters & Tower	297,945	3.45%
OWDA Loan - Water Treatment Plant	987,905	0.00%
OWDA Loan - Sewer Separation Project	785,777	0.00%
OWDA Loan - Wastewater & Lagoon	1,151,093	0.78%
Ford Credit Loan - 2015 Police Cruiser	4,807	6.30%
Corn City Bank Loan - 2016 Police Cruiser	21,645	3.81%
Corn City Bank Loan -Replace Gas System	341,288	3.75%
Ohio Dept of Commerce Loan - Firetruck	210,000	0.00%
Total	<u>\$4,608,160</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 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.

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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 – 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 – 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.

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.

There was new debt issued for the OPWC Marion Street Water Extension project. Phase 1 of the project was completed in 2017 and Phase 2 of the project will be completed in 2018. Final amounts to be determined in 2018 (these amounts are not included in debt schedules). The loan will be secured by the Village's water fund.

Leases

The Ford Credit Loan is a lease for a 2015 police cruiser. This loan will be repaid in semi-annual payments of \$4,958. At the end of the lease, the Village has the option to purchase it for \$1. This loan is secured by the Village's income tax revenue.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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

Year ending December 31:	OPWC Loans	OWDA Loans	Dept. of Commerce	Ford Motor Credit Company	Corn City State Bank Loans
2018	\$33,955	\$215,099	\$20,000	\$4,958	\$67,732
2019	33,955	215,099	20,000		67,732
2020	33,955	215,099	20,000		67,732
2021	33,955	215,099	20,000		60,037
2022	33,955	215,099	20,000		60,037
2023-2027	169,775	1,074,442	100,000		84,204
2028-2032	162,092	572,313	10,000		
2033-2037	106,272	316,189			
2038-2042	106,271	307,132			
2043-2047	81,272	157,931			
Total	<u>\$795,457</u>	<u>\$3,503,502</u>	<u>\$210,000</u>	<u>\$4,958</u>	<u>\$407,474</u>

The OPWC Loan - Marion Street Water Extension of \$12,243 has not yet been closed and does not yet have an amortization schedule.

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 \$1,741, and interest on the net credit balance credited to the Village has been \$727, resulting in a net credit balance at December 31, 2016 of \$25,498. The Village does have a potential PHFU Liability of \$28,626 resulting in a net total potential liability of \$3,128, assuming the assets making up the PHFU

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

(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 started a Waterline Extension Project with funding from OPWC. Phase 1 was completed in the fall of 2017. Phase 2 will be completed in the spring of 2018. Final project costs to be determined. This is a shared project with the Village of Malinta, the Village of Hamler, and Henry County Regional Water & Sewer District.

The Village participated in an ODNR Land & Water Conservation Fund Grant Project in 2017. This project made improvements to the Village's Reservoir Park. Total project cost was \$113,033 with \$56,517 of that being received in grant money. The remaining balance was supported by community donations along with the Income Tax Fund. The Project will be completed in 2018.

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 a \$7,000 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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 14—Subsequent Events

A second ODNR Land & Water Conservation Fund Grant will be received in 2018 continuing the improvements to the Village Reservoir Park. Total project cost is \$24,098 with \$14,135 being received in grant money from ODNR. The remainder of the funding will be secured by the Income Tax Fund and from donations received from the community.

In 2018 the debt for the Waterline Extension Project will be issued from OPWC. Total debt is estimated to be approximately \$150,000.

The Village is committed to another OPWC project in 2018 for sanitary sewer force main replacement in the amount of \$162,890.

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, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$114,353	\$5,346	\$5,776	\$125,475
Municipal Income Tax		367,847		367,847
Intergovernmental	53,432	87,490	5,344	146,266
Charges for Services	42,501			42,501
Fines, Licenses and Permits	21,378			21,378
Earnings on Investments	4,851	1		4,852
Miscellaneous	12,920	575	25,000	38,495
<i>Total Cash Receipts</i>	<u>249,435</u>	<u>461,259</u>	<u>36,120</u>	<u>746,814</u>
Cash Disbursements				
Current:				
Security of Persons and Property	203,747			203,747
Public Health Services	14,500			14,500
Leisure Time Activities	11,398	10,275		21,673
Community Environment	8,296			8,296
Basic Utility Services	2,283			2,283
Transportation	1,000	94,491		95,491
General Government	103,206	96,324		199,530
Capital Outlay	99,999	26,401	\$492,761	619,161
Debt Service:				
Principal Retirement	37,612		10,780	48,392
<i>Total Cash Disbursements</i>	<u>482,041</u>	<u>227,491</u>	<u>503,541</u>	<u>1,213,073</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(232,606)</u>	<u>233,768</u>	<u>(467,421)</u>	<u>(466,259)</u>
Other Financing Disbursements				
Other Debt Proceeds			427,575	427,575
Transfers In		40,000	34,740	74,740
Transfers Out	(51,418)	(84,740)		(136,158)
Other Financing Uses			(32,528)	(32,528)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(51,418)</u>	<u>(44,740)</u>	<u>429,787</u>	<u>333,629</u>
<i>Net Change in Fund Cash Balances</i>	<u>(284,024)</u>	<u>189,028</u>	<u>(37,634)</u>	<u>(132,630)</u>
<i>Fund Cash Balances, January 1</i>	<u>321,247</u>	<u>15,596</u>	<u>47,618</u>	<u>384,461</u>
Fund Cash Balances, December 31				
Restricted		204,624	250	204,874
Committed			9,734	9,734
Assigned	33,852			33,852
Unassigned	3,371			3,371
<i>Fund Cash Balances, December 31</i>	<u>\$37,223</u>	<u>\$204,624</u>	<u>\$9,984</u>	<u>\$251,831</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, 2016

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$3,415,952</u>
Operating Cash Disbursements	
Personal Services	614,046
Employee Fringe Benefits	199,010
Contractual Services	1,886,733
Supplies and Materials	172,951
Other	<u>10,394</u>
<i>Total Operating Cash Disbursements</i>	<u>2,883,134</u>
<i>Operating Income</i>	<u>532,818</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	130,000
Miscellaneous Receipts	34,468
Capital Outlay	(667,163)
Principal Retirement	(298,459)
Interest and Other Fiscal Charges	(28,310)
Other Financing Sources	<u>9</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(829,455)</u>
<i>Income before Transfers</i>	(296,637)
Transfers In	<u>61,418</u>
<i>Net Change in Fund Cash Balances</i>	(235,219)
<i>Fund Cash Balances, January 1</i>	<u>3,092,060</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$2,856,841</u></u>

See accompanying notes to the financial statements

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 seven-member Council 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 11, 12, 13 and 6 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:

Sewer 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, 2016
(Continued)

Main Street Revitalization Fund—This fund received a donation to raze a blighted building on Main Street.

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.

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 2016 budgetary activity appears in Note 3.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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, 2016
(Continued)

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$582,725	\$249,435	(\$333,290)
Special Revenue	595,843	501,259	(94,584)
Capital Projects	1,010,547	498,435	(512,112)
Enterprise	3,864,475	3,641,847	(222,628)
Total	\$6,053,590	\$4,890,976	(\$1,162,614)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$594,738	\$535,826	\$58,912
Special Revenue	668,935	313,806	355,129
Capital Projects	998,397	536,417	461,980
Enterprise	5,578,354	3,890,727	1,687,627
Total	\$7,840,424	\$5,276,776	\$2,563,648

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:

	2016
Demand deposits	\$2,393,187
Certificates of deposit	710,931
Other time deposits (savings and NOW accounts)	4,554
Total deposits	\$3,108,672

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, 2016
(Continued)

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 1.00 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 equity at December 31, 2016:

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	\$5,234,206

You can read the complete audited financial statements for OPRM at the Plan's website, 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 2016 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, 2016.

B. Social Security

Effective July 1, 1991, all employees not otherwise covered by the Ohio Public Employees Retirement System (OPERS) have an option to choose Social Security. The Mayor is the only elected official receiving Social Security. The Mayor contributed 6.2 percent of his gross salaries. The Village's liability is 6.2% of wages paid. The Village has paid all contributions required through December 31, 2016.

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 of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 – Debt

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan - Main Street Revitalization	\$172,480	0.00%
OPWC Loan - Well field development	23,048	0.00%
OPWC Loan - Wastewater Treatment/Pump station	491,667	0.00%
OWDA Loan - Water Meters & Tower	305,583	3.45%
OWDA Loan - Water Treatment Plant	1,061,084	0.00%
OWDA Loan - Sewer Separation Project	864,460	0.00%
OWDA Loan - Wastewater & Lagoon	1,187,028	0.78%
Ford Credit Loan - 2015 Police Cruiser	13,985	6.30%
Corn City Bank Loan - 2016 Police Cruiser	28,341	3.81%
Corn City Bank Loan - Bucket Truck	116,326	3.02%
Corn City Bank Loan -Replace Gas System	387,500	3.75%
Ohio Dept of Commerce Loan - Firetruck	<u>230,000</u>	0.00%
Total	<u><u>\$4,881,502</u></u>	

Debt outstanding at December 31, 2016 was as follows:

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 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.

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, 2016
(Continued)

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 – 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 – 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 – Bucket Truck loan is for the purchase of a new bucket truck for the Village's electric department. The loan will be repaid in monthly payments of \$2,988 over five years. The loan is secured by the revenues from the Village's Electric Fund.

Leases

The Ford Credit Loan is a lease for a new 2015 police cruiser. This loan will be repaid in semi-annual payments of \$4,958. At the end of the lease, the Village has the option to purchase it for \$1. This loan is secured by the Village's income tax revenue.

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

Year ending	OPWC Loans	OWDA Loans	Dept. of Commerce	Ford Motor Credit Company	Corn City State Bank Loans
December 31:					
2017	\$29,367	\$215,099	\$20,000	\$9,917	\$103,593
2018	29,367	215,099	20,000	4,958	103,593
2019	29,367	215,099	20,000		103,594
2020	29,367	215,099	20,000		82,674
2021	29,367	215,099	20,000		60,037
2022-2026	146,837	1,075,495	100,000		144,241
2027-2031	141,074	723,121	30,000		
2032-2036	94,114	316,189			
2037-2041	83,334	316,189			
2042-2046	75,001	212,112			
Total	<u>\$687,195</u>	<u>\$3,718,601</u>	<u>\$230,000</u>	<u>\$14,875</u>	<u>\$597,732</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

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 toward its net impaired costs estimate. Since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$1,741, and interest credited to the Village has been \$727, resulting in a net credit balance at December 31, 2016 of \$25,498. The Village does have a potential PHFU Liability of \$28,626 resulting in a net total potential liability of \$3,128, 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 10 – Construction and Contractual Commitments

The Village has committed to a Waterline Extension Project with funding from OPWC for 2017. Total project costs for Phase 1 and 2 of this project will be \$511,379 with \$255,689 in OPWC grants and \$255,690 in loans.

The Village will receive \$34,800 in Issue 2 money in 2017 for street improvements. The Village will match that amount bringing the total project cost to \$69,600.

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 a \$7,000 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. Fire service to the Village was formerly provided by the Village. 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 member 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.

Village of Deshler, Ohio
Henry County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

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Dave Yost • Auditor of State

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, Ohio, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 8, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 Government'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484
www.ohioauditor.gov

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

May 8, 2018

VILLAGE OF DESHLER
HENRY COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding was first issued in the 2011-2012 audit. Material weakness over financial reporting due to material audit adjustments.	Fully corrected.	None.
2015-002	Material noncompliance over Ohio Rev. Code §5705.10(l) and material weakness due to income tax receipts being posted in a Special Revenue Fund.	Fully corrected.	None.

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VILLAGE OF DESHLER

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 22, 2018