



**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Marshallville
Wayne County
7 North Main Street, P.O. Box 169
Marshallville, Ohio 44645

To the Village Council:

We have audited the accompanying financial statements of the Village of Marshallville, Wayne County, (the Village) as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2002

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**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$17,063	\$51,879	\$0	\$68,942
Intergovernmental	27,328	37,622	201,200	266,150
Charges for Services	4,183	32,248		36,431
Fines, Licenses, and Permits	29,270	4,653		33,923
Earnings on Investments	567	8,711	153	9,431
Miscellaneous	9,388			9,388
Total Cash Receipts	<u>87,799</u>	<u>135,113</u>	<u>201,353</u>	<u>424,265</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	22,840	23,937		46,777
Leisure Time Activities	4,950			4,950
Transportation		7,917		7,917
General Government	67,931	7,566		75,497
Capital Outlay			312,373	312,373
Total Cash Disbursements	<u>95,721</u>	<u>39,420</u>	<u>312,373</u>	<u>447,514</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,922)</u>	<u>95,693</u>	<u>(111,020)</u>	<u>(23,249)</u>
Other Financing Receipts/(Disbursements):				
Loan Proceeds			103,336	103,336
Transfers-In		5,443		5,443
Transfers-Out	(443)	(5,000)		(5,443)
Total Other Financing Receipts/(Disbursements)	<u>(443)</u>	<u>443</u>	<u>103,336</u>	<u>103,336</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(8,365)</u>	<u>96,136</u>	<u>(7,684)</u>	<u>80,087</u>
Fund Cash Balances, January 1	<u>33,106</u>	<u>339,484</u>	<u>20,918</u>	<u>393,508</u>
Fund Cash Balances, December 31	<u>\$24,741</u>	<u>\$435,620</u>	<u>\$13,234</u>	<u>\$473,595</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$665,302	\$0	\$665,302
Operating Cash Disbursements:			
Personal Services	94,278		94,278
Fringe Benefits	7,756		7,756
Contractual Services/Supplies and Materials	431,964		431,964
Total Operating Cash Disbursements	533,998	0	533,998
Operating Income	131,304	0	131,304
Non-Operating Cash Receipts:			
Earnings on Investments	12,176		12,176
Fines and Forfeitures		40,658	40,658
Total Non-Operating Cash Receipts	12,176	40,658	52,834
Non-Operating Cash Disbursements:			
Debt Service	55,146		55,146
Distribution of Fines		40,658	40,658
Total Non-Operating Cash Disbursements	55,146	40,658	95,804
Net Receipts Over Disbursements	88,334	0	88,334
Fund Cash Balances, January 1	454,935	0	454,935
Fund Cash Balances, December 31	<u>\$543,269</u>	<u>\$0</u>	<u>\$543,269</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$14,439	\$49,523	\$0	\$63,962
Intergovernmental	60,565	39,180	39,497	139,242
Charges for Services	3,462	27,816		31,278
Fines, Licenses, and Permits	17,072	2,453		19,525
Earnings on Investments	803	9,854	130	10,787
Miscellaneous	424	10		434
	<u>96,765</u>	<u>128,836</u>	<u>39,627</u>	<u>265,228</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	16,195	9,821		26,016
Leisure Time Activities	4,230			4,230
Transportation		3,671		3,671
General Government	89,543	12,477	500	102,520
Capital Outlay	31,720	20,605	50,045	102,370
	<u>141,688</u>	<u>46,574</u>	<u>50,545</u>	<u>238,807</u>
Total Cash Disbursements				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(44,923)</u>	<u>82,262</u>	<u>(10,918)</u>	<u>26,421</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	37,500	1,943	12,500	51,943
Transfers-Out	<u>(1,943)</u>	<u>(50,000)</u>		<u>(51,943)</u>
Total Other Financing Receipts/(Disbursements)	<u>35,557</u>	<u>(48,057)</u>	<u>12,500</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,366)	34,205	1,582	26,421
Fund Cash Balances, January 1	<u>42,472</u>	<u>305,279</u>	<u>19,336</u>	<u>367,087</u>
Fund Cash Balances, December 31	<u>\$33,106</u>	<u>\$339,484</u>	<u>\$20,918</u>	<u>\$393,508</u>
Reserves for Encumbrances, December 31	<u>\$9,823</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,823</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$675,840	\$0	\$675,840
Operating Cash Disbursements:			
Personal Services	104,176		104,176
Fringe Benefits	23,822		23,822
Contractual Services/Supplies and Materials	488,227		488,227
Total Operating Cash Disbursements	616,225	0	616,225
Operating Income	59,615	0	59,615
Non-Operating Cash Receipts:			
Earnings on Investments	11,330		11,330
Fines and Forfeitures		20,620	20,620
Total Non-Operating Cash Receipts	11,330	20,620	31,950
Non-Operating Cash Disbursements:			
Debt Service	52,984		52,984
Distribution of Fines		20,620	20,620
Total Non-Operating Cash Disbursements	52,984	20,620	73,604
Net Receipts Over Disbursements	17,961	0	17,961
Fund Cash Balances, January 1	436,974	0	436,974
Fund Cash Balances, December 31	<u>\$454,935</u>	<u>\$0</u>	<u>\$454,935</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Marshallville, Wayne County, Ohio, (the Village) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected, six-member Council. The Village provides general governmental services, including electric, water and sewer utilities; park operations (leisure time activities); and fire, police and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

Income Tax Fund - This fund is used to record the collection of self assessed taxes, the cost of collecting such taxes and the distribution to various other funds in accordance with Village ordinances.

Ambulance Fund - This fund receives charges for services from residents to cover the cost of providing an ambulance service.

Fire Fund - This fund receives primarily contracted revenue from Baughman and Chippewa Townships to provide fire protection.

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund receives Issue II monies for the payment of capital improvements for the Village.

4. Enterprise Funds

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

Electric Fund - This fund receives charges for services from residents to cover the cost of providing electric service.

Water Fund - This fund receives charges for services from residents to cover the cost of providing water service.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

5. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

Mayor's Court Fund - This fund receives fine monies and distributes them to the General and Court Computerization Special Revenue Funds along with payments to the State for their share of the fines.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

Employees are entitled to cash payments for unused leave in certain circumstances, such as upon leaving employment. Unpaid leave is not reflected as a liability under the cash basis of accounting used by the Village.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH

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

	2000	1999
Demand deposits	\$859,045	\$694,254
Certificates of deposit	157,819	154,189
Total deposits	\$1,016,864	\$848,443

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,100	\$87,799	\$2,699
Special Revenue	103,200	140,556	37,356
Capital Projects	10,000	304,689	294,689
Enterprise	699,500	677,478	(22,022)
Total	\$897,800	\$1,210,522	\$312,722

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,600	\$96,164	(\$13,564)
Special Revenue	120,250	44,420	75,830
Capital Projects	0	312,373	(312,373)
Enterprise	787,800	589,144	198,656
Total	\$990,650	\$1,042,101	(\$51,451)

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$137,600	\$134,265	(\$3,335)
Special Revenue	124,100	130,779	6,679
Capital Projects	22,500	52,127	29,627
Enterprise	814,000	687,170	(126,830)
Total	\$1,098,200	\$1,004,341	(\$93,859)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,700	\$153,454	(\$77,754)
Special Revenue	132,565	96,574	35,991
Capital Projects	0	50,545	(50,545)
Enterprise	793,501	669,209	124,292
Total	\$1,001,766	\$969,782	\$31,984

4. NONCOMPLIANCE

Contrary to Ohio Rev Code Section 733.40, the Village did not properly disburse State costs from the Mayor's Court to the Treasurer of State during 1999.

Contrary to Ohio Admin. Code Section 117-5, the financial records of the Village were not properly maintained during 2000 and 1999.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds for certain expenditures during 2000 and 1999.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Rev. Code Section 5705.41(B), the Village had cash expenditures which exceeded appropriations within the following funds at December 31:

2000	
Fund Type - Fund	Variance
General Fund	\$13,564
Special Revenue - Ambulance Fund	3,123
Capital Projects - Capital Improvement Fund	312,373
Special Revenue - Fire Levy Fund	3,139
Enterprise - Water Fund	11,060
Enterprise - Water Maintenance Fund	5,637

1999	
Fund Type - Fund	Variance
General Fund	\$77,754
Special Revenue - Ambulance Fund	9,954
Special Revenue - State Highway Fund	500
Special Revenue - Income Tax Fund	29,259
Special Revenue - Mayor's Court Computer Fund	1,798
Capital Projects - Capital Improvement Fund	50,545
Enterprise - Water Fund	55,368

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. NONCOMPLIANCE (Continued)

Contrary to Ohio Rev. Code Section 5705.09, the Village did not establish an Issue II Fund nor record Issue II grant and loan monies and subsequent expenditures from the Ohio Public Works Commission during 2000 and 1999. The financial statements have been adjusted to reflect the receipt and expenditures of Issue II money.

Contrary to Ohio Rev. Code Section 733.28, the Village Clerk-Treasurer did not maintain the financial records of the Board of Public Affairs during 2000 and 1999.

5. PROPERTY TAX

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

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

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1% 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 quarterly. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$52,500	0.00%
Ohio Public Works Commission Loan CP002	145,480	0.00%
Ohio Public Works Commission Loan CP17C	100,752	0.00%
Waterworks System Mortgage Revenue Bonds 1982	364,000	5.00%
Waterworks System Mortgage Revenue Bonds 1986	57,000	5.00%
Waterworks System Mortgage Revenue Bonds 1986	<u>24,200</u>	7.125%
Total	<u>\$743,932</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewage system improvement project. Two loans were issued in 1996 for a total of \$75,000. The loans are being repaid in annual installments of \$7,500, without interest, over 10 years. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loans relate to a Sanitary Sewer Separation Project (# CP002) and Phase I of a Waterline Replacement Project (# CP17C). Loan # CP002 was issued in 1998 in the amount of \$166,262. The loan is being repaid in semiannual installments of \$4,157, without interest, over 20 years. Loan # CP17C was issued in 2000 in the amount of \$103,336. The loan is being repaid in semiannual installments of \$2,583, without interest, over 20 years. These loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

The Waterworks System Mortgage Revenue Bonds relate to various water improvement projects. The 1982 issue was issued in the amount of \$466,400 for the construction of a new water plant. The 1986 issues were issued in the total amount of \$94,600 for improvements to the water plant. These Mortgage Revenue Bonds are being repaid in varying annual installments, including interest, over 40 years. These bonds are collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover the Mortgage Revenue Bond debt service requirements. As required by the mortgage revenue bond covenants, the Village has established and funded a debt service reserve fund, included as an enterprise fund. The Village transfers \$3,000 monthly to this fund from the Water Fund. The balance in the fund at December 31, 2000 was \$25,889.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

7. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Mortgage Revenue Bonds</u>	<u>OPWC Loans</u>
2001	\$7,500	\$33,175	\$13,480
2002	7,500	33,848	13,480
2003	7,500	33,260	13,480
2004	7,500	33,771	13,480
2005	7,500	33,328	13,479
2006 - 2010	15,000	168,988	67,400
2011 - 2015	0	167,594	67,400
2016 - 2020	0	170,218	44,033
2021 - 2025	0	86,395	0
2026 - 2030	0	6,026	0
Total	<u>\$52,500</u>	<u>\$766,603</u>	<u>\$246,232</u>

8. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% in 2000 and 13.55% in 1999 of participants' gross salaries. The Village has paid all contributions required through December 31, 2000.

9. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 government entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 and 1999
(Continued)**

9. RISK MANAGEMENT (Continued)

The Plan uses conventional insurance coverages and reinsures these coverage 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual plan members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Plan covers the following risks:

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

The Village also provides health, vision and dental insurance to full-time employees through a private carrier.

There were no significant changes in coverage from the prior year.

10. CONTINGENT LIABILITIES

The Village was a defendant in a lawsuit as of December 31, 2000. The case was settled on August 29, 2001. The Village's insurance carrier paid the claim except for a \$1,000 deductible that was paid by the Village. The Village is not a defendant in any other lawsuits.

11. RELATED PARTY TRANSACTIONS

The current BPA Clerk is the wife of the BPA President. During 2000, she received \$4,460 in total wages from the Village.

A cousin of the BPA President was employed on a part-time basis to direct the daily operations of the Village water treatment plant and waste water plant, to conduct lab testing, to prepare monthly state reports, and to assist in training new employees. During 2000, he received \$5,580 in total wages from the Village.

The Village has a contractual agreement with a brother of the Council President to provide maintenance and mowing services at the Village park. He received \$4,955 and \$4,230 in total wages during 2000 and 1999, respectively, from the Village.

12. SUBSEQUENT EVENTS

- A. Phase II of the Waterline Replacement Project, partially funded through the Ohio Public Works Commission (OPWC) State Capital Improvement Program, was started in the fall of 2000 and completed in August 2001. The original cost estimate of the project was \$447,510 with \$358,008 to be funded from a grant and a loan from the OPWC and \$89,502 to be funded by local revenue. Actual total project costs were \$405,657. During 2001, \$171,554 was paid on behalf of the Village by OPWC grants and \$145,522 was paid by an OPWC loan. The Village will be required to repay the loan in semiannual installments, with no interest over a period of 20 years. The Village's minimum dollar contribution to the project with local revenue was \$81,131.
- B. On January 14, 2002, the Village received notification of a bequest in the amount of \$160,000 that the Village will be receiving from an estate. The bequest requires that the funds be used for specific improvement projects in the Village.



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Marshallville
Wayne County
7 North Main Street, P.O. Box 169
Marshallville, Ohio 44645

To the Village Council:

We have audited the accompanying financial statements of the Village of Marshallville, Wayne County, (the Village) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated January 25, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-30985-001 through 2000-30985-006.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated January 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-30985-002 through 2000-30985-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider item 2000-30985-002 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 25, 2002.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

January 25, 2002

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding for Recovery Repaid Under Audit

FINDING NUMBER 2000-30985-001

Ohio Rev. Code Section 733.40 states in part except as otherwise provided by sections 3375.50 to 3375.52 or 4511.99 of the Revised Code, all fines, and forfeitures collected by the mayor in state cases, together with all fees and expenses collected which have been advanced out of the county treasury, shall be paid by him to the county treasury on the first business day of each month. Except as otherwise provided by sections 3375.50 to 3375.52 or 4511.99 of the Revised Code, all court costs and fees collected by the mayor in state cases shall be paid by him into the municipal treasury on the first business day of each month.

In 1999, the Village made only 3 distributions to the Treasurer of State relating to State costs totaling \$2,710. The total amount of costs during the same period which should have been remitted totaled \$4,735, resulting in total additional costs due to the State of \$2,025.

The Mayor should submit an itemized statement monthly to Village Council which details the aforementioned requirements and distribute State costs timely in accordance with the above Ohio Rev. Code section.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money not distributed to the State is hereby issued against the Village of Marshallville in the amount of \$2,025, and in favor of the Treasurer of State of Ohio.

The Village repaid the finding on January 25, 2002.

Noncompliance Citation/Material Weakness

FINDING NUMBER 2000-30985-002

Ohio Admin. Code Section 117-5-01 provides that each Village which uses the cash basis of accounting use the uniform system of accounting prescribed by Ohio Admin. Code Sections 117-5-01 to 117-5-18. The Village did not comply with the following provisions of Section 117-5:

- Section 117-5-02 establishes the major fund groups and the respective alphabetic code used to identify Village funds. Section 117-5-03 establishes the numeric code used to identify individual funds within the various major fund groups.

For 2000 and 1999, the Village did not utilize the proper coding used to identify major fund groups and individual funds within the major fund groups.

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook" prepared by the Auditor of State, to determine the proper procedures for identifying major fund groups and the individual funds within the major fund groups, based on statutory requirements and accounting needs.

Noncompliance Citation/Material Weakness (Continued)

FINDING NUMBER 2000-30985-002 (Continued)

- Sections 117-5-05, 117-5-06, and 117-5-08 establish guidelines for the proper coding and classification of Village disbursements. The Village's current system of accounting does not provide for the proper and accurate classification of disbursements. For example, audit fees were classified as follows: General Fund - Land & Buildings; Capital Improvement - Building, Lands, & Equipment; and Street - Repairs, Drains, & Signs. Various reclassifications and adjustments were necessary, and such reclassifications and adjustments are reflected in the accompanying financial statements.

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook", prepared by the Auditor of State, to determine the proper and accurate classification of the Village's disbursements.

- Section 117-5-07 establishes guidelines for the proper coding and classification of Village receipts. The Village did not always properly code and classify receipts. For example, various intergovernmental revenues such as homestead/rollback and estate tax were posted to accounts in which monies were commingled with each other. Cable TV franchise fees were posted as miscellaneous income instead of charges for services. Various reclassifications and adjustments were necessary and such reclassifications and adjustments are reflected in the accompanying financial statements.

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook", prepared by the Auditor of State, to determine the proper and accurate coding and classification of the Village's receipts.

- Section 117-5-09 (replaced by Section 117-5-02(A)(1), effective July 1, 2000) provides guidelines for the proper and complete maintenance of a Village cash journal. Beginning cash journal balances at January 1, 1999 did not agree to balances at December 31, 1998, as reported by the Auditor of State. For 2000 and 1999, Enterprise Fund activity was not recorded within the cash journal. In addition, proceeds of Ohio Public Works Commission loans were not recorded within the cash journal, resulting, in an understatement of receipts and expenditures for both years. (See finding #2000-30985-005).

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook", prepared by the Auditor of State, to determine the proper maintenance of the cash journal. This will ensure that monthly account balances are accurate and can be easily accessed for monthly reports and bank reconciliations. The Clerk-Treasurer should accurately record all financial activity of the Village within the cash journal. At the end of the month, the cash journal columns should be totaled and reconciled with the monthly receipt journal and appropriation ledger column totals. The column totals should be ruled off to document this reconciliation.

- Section 117-5-10 (replaced by Section 117-5-02(A)(2), effective July 1, 2000) provides guidelines for the proper and complete maintenance of a Village receipt ledger. Although the Village posted estimated amounts of money to be received into each account, these amounts did not agree to the Official Certificate of Estimated Resources as specified by the County Budget Commission. Postings made in the receipt ledger were not consistent with the cash journal postings. As monies were received, they were properly entered in the "Amount Received" column, but not reflected in the "Credit" column or subtracted from the budget estimate amount ("Balance"). When properly posted, this "Balance" column will accurately show the amount of monies still anticipated to be received for the year. Finally, monthly receipts were not totaled and agreed to the cash journal for proper reconciliation.

Noncompliance Citation/Material Weakness (Continued)

FINDING NUMBER 2000-30985-002 (Continued)

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook", prepared by the Auditor of State, to determine the proper maintenance of the receipt journal. This will ensure that monthly account balances are accurate and can be easily accessed for monthly reports and bank reconciliations.

The Clerk-Treasurer should accurately record all receipt activity of the Village within the receipt ledger. At the end of each month, the monthly receipt ledger columns should be totaled and reconciled with the monthly cash journal receipt column totals. The column totals should be ruled off to document this reconciliation.

- Section 117-5-11 (replaced by Section 117-5-02(A)(3), effective July 1, 2000) provides guidelines for the proper and complete maintenance of a Village appropriation ledger. Although an appropriation amount was posted to each appropriation account, these amounts did not agree to the amounts reflected on the annual appropriation measure. Each expenditure and encumbrance charged against the appropriation accounts were not properly subtracted from the appropriated balance, thus, not producing a declining unencumbered balance which would enable management to effectively monitor spending. Monthly totals were not entered into the appropriation ledger as required, causing significant discrepancies in amounts recorded on the Village's annual financial report. In addition, monthly expenditures were not totaled and agreed to the cash journal for proper reconciliation.

We recommend the Clerk-Treasurer consult the "Village Officer's Handbook" prepared by the Auditor of State, to determine the proper maintenance of the appropriation ledger. This will ensure that monthly account balances are accurate and can be easily accessed for monthly reports and bank reconciliations.

The Clerk-Treasurer should post encumbrances to the Village's appropriation ledger, maintain a declining balance of available monies for expenditure, total ledger columns monthly, and reconcile the appropriation ledger to the cash journal monthly. These procedures will enable management to effectively monitor spending and assist the Village with budget management decisions.

- Section 117-5-13 establishes procedures and guidance for the proper utilization of purchase orders for a Village. Each executed purchase order shall provide the date, appropriation fund, code classification, executed Clerk-Treasurer's certificate and other required information. The Clerk-Treasurer did not always execute purchase orders for goods and services purchased by the Village during the audit period.

The Clerk-Treasurer should prepare purchase orders for all monies expended directly or on behalf of the Village. This procedure will help ensure that source documentation is available for each transaction required to be posted to the appropriation ledger and cash journal.

Effective January 1, 2001, Ohio Admin. Code Section 117-9 replaced 117-5.

Numerous reclassifications and audit adjustments were necessary to correct mathematical and coding errors caused by the above mentioned weaknesses.

Noncompliance Citation/Material Weakness (Continued)

FINDING NUMBER 2000-30985-002 (Continued)

Due to the aforementioned mathematical and coding errors in the Village ledgers, we recommend the Village utilize a computerized system of accounting in addition to following the "Village Officer's Handbook" and applicable Ohio Administrative Code sections.

Issues addressing Administrative Code compliance in regards to the proper maintenance of the receipt ledger and appropriation ledger were also included in the prior audit report.

Noncompliance Citations/Reportable Conditions

FINDING NUMBER 2000-30985-003

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer. The fiscal officer must certify that the amount required to meet the same commitment has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such certificate should be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A) Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B) If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize it to be paid without the affirmation of the Village Council, if such expenditure is otherwise valid.

Of the transactions tested during the audit period, 94% were not certified by the Clerk-Treasurer prior to incurring the obligation. In addition, neither of the two exceptions above were utilized for the items found to be in noncompliance.

In addition, expenditure transactions of the Board of Public Affairs (BPA) were certified by the BPA Clerk rather than the Village Clerk-Treasurer. As chief fiscal officer of the Village, only the Village Clerk-Treasurer has the authority to certify the availability of funds for all expenditures of the Village.

The Village should certify the availability of expenditures and also implement the use of Then and Now Certificates or Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

This matter was also reported in the prior audit report.

Noncompliance Citations/Reportable Conditions (Continued)

FINDING NUMBER 2000-30985-004

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Village expenditures exceeded appropriations in the following instances at December 31:

2000			
Fund Type - Fund	Appropriations	Actual Expenditures	Variance
General Fund	\$82,600	\$96,164	\$13,564
Special Revenue - Ambulance Fund	0	3,123	3,123
Capital Projects - Capital Improvement Fund	0	312,373	312,373
Special Revenue - Fire Levy Fund	3,500	6,639	3,139
Enterprise - Water Fund	104,000	115,060	11,060
Enterprise - Water Maintenance Fund	20,000	25,637	5,637

1999			
Fund Type - Fund	Appropriations	Actual Expenditures	Variance
General Fund	\$75,700	\$153,454	\$77,754
Special Revenue - Ambulance Fund	2,000	11,954	9,954
Special Revenue - State Highway Fund	0	500	500
Special Revenue - Income Tax Fund	31,250	60,509	29,259
Special Revenue - Mayor's Court Computer Fund	0	1,798	1,798
Capital Projects - Capital Improvement Fund	0	50,545	50,545
Enterprise - Water Fund	103,000	158,368	55,368

Noncompliance Citations/Reportable Conditions (Continued)

FINDING NUMBER 2000-30985-004 (Continued)

In addition, appropriations posted to the Village's Appropriation Reports did not always agree to the Village's actual Annual Appropriation Measure. The Clerk-Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid potential overspending. In addition, the Clerk-Treasurer should periodically review the Village's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

This matter was also reported in the prior audit report.

FINDING NUMBER 2000-30985-005

Ohio Rev. Code Section 5705.09 requires each subdivision to establish a special fund for each class of revenue derived from a source other than general property tax, which the law requires to be used for a particular purpose.

During 2000 and 1999, the Clerk-Treasurer did not establish an Issue II Fund to record Issue II grant and loan monies and subsequent expenditures from the Ohio Public Works Commission totaling \$302,536 and \$32,000, respectively. As a result, receipts and expenditures were initially understated. The financial statements have been adjusted to reflect these receipts and expenditures. The Clerk-Treasurer should create an Issue II fund and record Issue II monies as a receipt and expenditure. In addition, the Clerk-Treasurer should record its debt receipts as proceeds of loans. This will help ensure receipts and expenditures are not misstated. The Village should refer to Auditor of State Bulletin 2000-008 and Management Advisory Services (MAS) Bulletin 1989-17 for further guidance.

This matter was also reported in the prior audit management letter.

FINDING NUMBER 2000-30985-006

Ohio Rev. Code Section 733.28 states that the Village Clerk-Treasurer shall keep the books of the Village, exhibit accurate statements of all monies received and expended, document all the property owned by the Village and the income derived therefrom, and document all taxes and assessments.

The financial activities of the Village and the Board of Public Affairs (BPA) are maintained separately throughout the year. The activity of the BPA is not accounted for on the Village's records until the end of the year when preparing their Cash Basis Annual Financial Report. In addition, the BPA Clerk maintains all payroll records and processes payroll for BPA employees. There were numerous errors and omissions in the utilities records throughout the audit period. For example, there were periods throughout the audit period in which ledgers were not maintained accurately, which may be due to high turnover of BPA Clerks. In addition, monthly reconciliations were not being performed. As a result, additional accounting services were required by the BPA to obtain a report of the financial condition of the utility accounts.

Noncompliance Citations (Continued)

FINDING NUMBER 2000-30985-006 (Continued)

We recommend that the Village Clerk-Treasurer review the monthly reports and the bank reconciliations of the BPA. In addition, activity related to BPA accounts should be posted to the Village's records, at minimum, on a monthly basis. As chief fiscal officer, the Village Clerk-Treasurer is responsible for all financial activity of the Village. Furthermore, the BPA's bank accounts should become part of the overall depository balances of the Village and presented to Council for their monthly review, and the Village Clerk-Treasurer should initiate all cash disbursements, including payroll, currently being made by the BPA Clerk. This may help ensure the Village's financial statements are accurately presented.

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**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-30985-001	ORC 5705.41(D) - Failure to Certify Funds	No	Not Corrected. See finding #2000-30985-003.
1998-30985-002	OAC 117-5-10(A) - Maintaining a Receipts Journal	No	Not Corrected. See finding #2000-30985-002.
1998-30985-003	ORC 5705.41(B) - Expenditures exceed Appropriations	No	Not Corrected. See finding #2000-30985-002.
1998-30985-004	OAC 117-5-11(D) - Monthly totals not maintained in Appropriation Ledger	No	Not Corrected. See finding #2000-30985-002.
1998-30985-005	OAC 117-5-10(D) - Monthly totals not maintained in Receipt Ledger	No	Not Corrected. See finding #2000-30985-002.
1998-30985-006	OAC 117-5-10(C) - Proper posting of receipts not established	No	Not Corrected. See finding #2000-30985-002.
1998-30985-007	OAC 117-5-10(B) - Estimated receipts not posted in Receipts Ledger	No	Partially Corrected. See finding #2000-30985-002.



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VILLAGE OF MARSHALLVILLE

WAYNE 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
FEBRUARY 12, 2002**