



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF MORRAL  
MARION COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Morral  
Marion County  
P.O. Box 156  
Morral, Ohio 43337

To the Village Council:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

July 15, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Morral  
Marion County  
P.O. Box 156  
Morral, Ohio 43337

To the Village Council:

We have audited the accompanying financial statements of the Village of Morral, Marion County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Morral, Marion County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

July 15, 2009



**VILLAGE OF MORRAL  
MARION COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 14,308.74	\$ 2,729.40	\$ 17,038.14
Intergovernmental	22,530.71	5,349.19	27,879.90
Charges for Services	49.46	-	49.46
Earnings on Investments	112.08	55.19	167.27
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	37,000.99	8,133.78	45,134.77
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	9,115.01	-	9,115.01
Public Health Services	432.14	-	432.14
Leisure Time Activities	-	3,230.35	3,230.35
Community Environment	463.43	-	463.43
Basic Utility Service	4,626.61	607.12	5,233.73
Transportation	1,345.27	10,039.11	11,384.38
General Government	16,349.05	60.91	16,409.96
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	32,331.51	13,937.49	46,269.00
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	4,669.48	(5,803.71)	(1,134.23)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Disbursements:</b>			
Other Financing Uses	(45.96)	-	(45.96)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,623.52	(5,803.71)	(1,180.19)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	(2,126.73)	17,428.75	15,302.02
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 2,496.79</u></b>	<b><u>\$ 11,625.04</u></b>	<b><u>\$ 14,121.83</u></b>

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

**VILLAGE OF MORRAL  
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Local Taxes	\$ 15,778.13	\$ 2,971.53	\$ 18,749.66
Intergovernmental	20,145.91	23,722.66	43,868.57
Charges for Services	900.74	13.20	913.94
Fines, Licenses and Permits	665.00	-	665.00
Earnings on Investments	237.40	75.98	313.38
Miscellaneous	-	50.00	50.00
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	37,727.18	26,833.37	64,560.55
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,000.00	-	10,000.00
Public Health Services	500.00	-	500.00
Leisure Time Activities	-	6,242.04	6,242.04
Community Environment	500.00	-	500.00
Basic Utility Service	4,343.05	637.61	4,980.66
Transportation	2,350.00	16,317.06	18,667.06
General Government	25,792.30	70.69	25,862.99
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	43,485.35	23,267.40	66,752.75
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(5,758.17)	3,565.97	(2,192.20)
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In	1,357.00	-	1,357.00
Transfers-Out	-	(1,357.00)	(1,357.00)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	1,357.00	(1,357.00)	-
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,401.17)	2,208.97	(2,192.20)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	2,274.44	15,219.78	17,494.22
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ (2,126.73)</u></b>	<b><u>\$ 17,428.75</u></b>	<b><u>\$ 15,302.02</u></b>

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

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Morral, Marion County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including park operations (leisure time activities). The Village contracts with the Marion County Sheriff's department to provide security of persons and property. The Salt Rock Volunteer Fire Department provides fire services for the Village.

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

**B. Accounting Basis**

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

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

**C. Deposits**

The Village maintains an interest-bearing checking account.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

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

Parks and Recreation Fund – This fund receives property tax money for operation of the Village park.

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$14,122	\$15,302

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,730	\$37,001	(\$729)
Special Revenue	19,119	8,134	(10,985)
Total	\$56,849	\$45,135	(\$11,714)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$32,377	(\$32,377)
Special Revenue	0	13,937	(13,937)
Total	\$0	\$46,314	(\$46,314)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,978	\$39,084	\$2,106
Special Revenue	18,202	26,833	8,631
Total	\$55,180	\$65,917	\$10,737

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,182	\$43,485	(\$4,303)
Special Revenue	29,629	24,624	5,005
Total	\$68,811	\$68,109	\$702

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$4,303, in the Parks and Recreation fund by \$2,148, and in the FEMA Grant fund by \$1,357 for the year ended December 31, 2006. Budgetary expenditures also exceeded appropriation authority in the General fund by \$32,377, in the Parks and Recreation fund by \$3,898, in the Street Construction fund by \$7,403, and in the State Highway fund by \$2,636 for the year ended December 31, 2007.

Contrary to Ohio law, a \$4,177 transfer was made in 2006 from the Permissive Sales Tax fund to the Street Construction fund without a resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

Contrary to Ohio law, the Council did not pass an appropriation measure in 2007.

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

**4. Property Tax**

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

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

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

**5. Retirement Systems**

During 2007 and 2006, the Village officials elected to belong to Social Security. The Village's liability is 6.2 percent of wages paid.

No Village employees were members of the Public Employees Retirement System (PERS) of Ohio during 2007 and 2006.

**6. Risk Management**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is 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.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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 MORRAL  
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(Continued)

6. Risk Management (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 retained earnings at December 31:

	<b>2007</b>	<b>2006</b>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	\$6,862,902	\$6,290,528

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

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# Mary Taylor, CPA

Auditor of State

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

Village of Morral  
Marion County  
P.O. Box 156  
Morral, Ohio 43337

To the Village Council:

We have audited the financial statements of the Village of Morral, Marion County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 15, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

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

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

We consider findings 2007-001 through 2007-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses.

We believe all of the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated July 15, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-003 through 2007-010.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 15, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

July 15, 2009

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Significant Deficiency / Material Weakness  
Review of Monthly Financial Reports**

During 2007 and 2006, the Clerk/Treasurer did not consistently provide systems-generated reports of financial activity to the Village Council to monitor. As a result, the Village Council and Mayor did not have accurate knowledge of the financial status of the Village and the effectiveness of any monitoring of financial activity was compromised.

Additionally, lack of regular management monitoring of the Village's financial activity resulted in the following errors:

- In 2006, six warrants totaling \$4,258 received from the State of Ohio were not deposited by the Clerk/Treasurer as of December 31, 2007. As of March 18, 2009, these six warrants received from the State of Ohio were still outstanding. In 2007, 28 warrants totaling \$19,022 received from the State of Ohio and 11 warrants totaling \$1,270 received from the City of Marion were not deposited by the Clerk/Treasurer as of December 31, 2007. The Village subsequently receipted 14 State of Ohio warrants totaling \$9,861 and the total \$1,270 from the City of Marion in 2008. As of March 18, 2009, the remaining 14 warrants received in 2007 were still outstanding.
- In 2006, a transfer in the amount of \$4,177 was made from the Permissive Sales Tax fund to the Street Construction fund without authorization by Council resolution, see finding 2007-003.
- The Clerk/Treasurer's compensation in 2007 exceeded the limit set forth by Council ordinance by \$1,200.
- Village Council members' compensation in 2006 and 2007 exceeded limits set forth by Council ordinance by \$50 - \$100 each year.
- During 2006, the Village posted receipts totaling \$1,853 belonging to the Park fund to the General fund, and receipts totaling \$217 belonging to the General fund to the Park fund. During 2007, the Village posted receipts totaling \$1,129 belonging to the Park fund to the General fund, see finding 2007-004

The financial statements and accounting records reflect adjustments to correct these errors.

Monitoring comprises regular management activities established to oversee whether management's financial objectives are being achieved. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations.

We recommend the Clerk/Treasurer provide the Village Council and Mayor monthly system-generated financial reports, including detailed revenue and expenditure transaction reports, budget versus actual revenues and expenditures reports, bank reconciliation reports, and fund balance reports for each fund of the Village. These reports should be reviewed by the Council and Mayor and appropriate follow-up should be made regarding any unusual balances or transactions.

**Officials' Response**

The Financial Committee, Council representative, Mayor, and or President of Council will meet with the Clerk/Treasurer prior to regular meetings to review system-generated financial reports.

**VILLAGE OF MORRAL  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002**

**Significant Deficiency / Material Weakness  
Financial Reporting**

Sound financial reporting, which is the responsibility of the Clerk/Treasurer and the Council, is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Six audit adjustments totaling \$19,015 in the General Fund and 10 audit adjustments totaling \$15,867 in the Combined Special Revenue Fund were made to the December 31, 2007 financial statements.

Four adjustments totaling \$578 in the General Fund were inconsequential to the overall financial statements of the Village and were not posted to the December 31, 2007 financial statements.

11 audit adjustments totaling \$16,853 in the General Fund and 20 audit adjustments totaling \$32,010 in the Combined Special Revenue Fund were made to the December 31, 2006 financial statements.

Three adjustments totaling \$1,149 in the General Fund and one adjustment totaling \$624 in the Combined Special Revenue Fund were inconsequential to the overall financial statements of the Village and were not posted to the December 31, 2006 financial statements.

The adjustments identified above should be reviewed by the Clerk/Treasurer and Council to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Village should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Village's activity.

**Officials' Response**

The Financial Committee, Council representative, Mayor, and or President of Council will meet with the Clerk/Treasurer prior to regular meetings to review system-generated financial reports.

**FINDING NUMBER 2007-003**

**Noncompliance Citation / Significant Deficiency / Material Weakness  
Transfer of Funds**

Ohio Rev. Code § 5705.14(H) states that except in the case of a transfer from the General Fund to any other fund of the subdivision, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

The following transfer was posted to the system and no evidence of Council approval was noted:

Date	From	To	Amount
09/11/06	2111: Permissive Sales Tax	2011: Street Construction	\$ 4,177

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003 (Continued)**

**Noncompliance Citation / Significant Deficiency / Material Weakness  
Transfer of Funds**

The financial statements and accounting records were adjusted to return this transfer to the Permissive Sales Tax Fund.

Inter-fund transfers should be authorized by Council resolution pursuant to Ohio Rev. Code § 5705.14.

**Officials' Response**

Village Council will familiarize themselves with Ohio Rev. Code § 5705.14 to ensure inter-fund transfers are properly authorized.

**FINDING NUMBER 2007-004**

**Noncompliance Citation / Significant Deficiency / Material Weakness  
Receipt Posting**

Ohio Rev. Code § 5705.10(D) states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2006, the Village posted \$1,600 of tax levy receipts belonging in the Park Fund to the General Fund, \$253 of homestead/rollback receipts belonging in the Park Fund to the General Fund, \$77 of 10,000 exemption receipts belonging in the General Fund to the Park Fund, and \$140 of municipal court fine receipts belonging in the General Fund to the Park Fund. During 2007, the Village posted \$1,129 of tax levy receipts belonging in the Park Fund to the General Fund.

The Village's financial statements and accounting records have been adjusted to properly reflect the amounts above in the appropriate funds.

We recommend the Village closely monitor receipt postings to ensure all future receipts are allocated to the proper funds.

**Officials' Response**

Village Council will familiarize themselves with Ohio Rev. Code § 5705.10(D) to ensure receipts are allocated to the proper funds.

**FINDING NUMBER 2007-005**

**Noncompliance Citation / Finding for Recovery  
Compensation of Clerk/Treasurer**

Village Ordinance No. 2004-03 established the maximum allowable compensation of the Village Clerk/Treasurer at \$2,400 per year.

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-005 (Continued)**

**Noncompliance Citation / Finding for Recovery  
Compensation of Clerk/Treasurer**

In 2007, Clerk/Treasurer Erica Jolliff's actual compensation was \$3,600, which exceeded the limits set forth in Ordinance No. 2004-03 by \$1,200.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Clerk/Treasurer Erica Jolliff and Ohio Government Risk Management Plan, her bonding company, jointly and severally, in the amount of \$1,200.00 and in favor of the Village of Morral's General Fund.

**Officials' Response**

Village Council will periodically review payroll ordinances and update as necessary. Additionally, Council will review detailed expenditure reports at regular meetings to ensure that wages are paid in accordance with such ordinances.

**FINDING NUMBER 2007-006**

**Noncompliance Citation / Findings Repaid Under Audit  
Compensation of Council**

Village Ordinance No. 1998-08 established the maximum allowable compensation of the Village Council at \$600 per year.

In fiscal years 2007 & 2006, Council Member compensation exceeded the limits set forth in Ordinance No. 1998-08 as follows:

<b>Council Member</b>	<b>Fiscal Year</b>	<b>Compensation Paid</b>	<b>Allowable Compensation</b>	<b>Variance</b>
Danny Williams	2006	\$650.00	\$600.00	\$50.00
	2007	\$700.00	\$600.00	\$100.00
Darla Hicks	2006	\$650.00	\$600.00	\$50.00
	2007	\$700.00	\$600.00	\$100.00
Deb Thomas	2006	\$650.00	\$600.00	\$50.00
	2007	\$700.00	\$600.00	\$100.00
Paul Leiter	2006	\$650.00	\$600.00	\$50.00
	2007	\$650.00	\$600.00	\$50.00
Thelma Koontz	2006	\$650.00	\$600.00	\$50.00
	2007	\$650.00	\$600.00	\$50.00
Joel Leslie	2006	\$650.00	\$600.00	\$50.00
	2007	\$650.00	\$600.00	\$50.00

VILLAGE OF MORRAL  
MARION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

FINDING NUMBER 2007-006 (Continued)

**Noncompliance Citation / Findings Repaid Under Audit  
Compensation of Council**

Erica Jolliff, Clerk/Treasurer, signed the warrants for the 2006 and 2007 overpayments, and Deb Thomas, Council Member, signed the warrants for the 2007 overpayments.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Council Members Danny Williams Darla Hicks, and Deb Thomas in the amount of \$150.00 each and against Council Members Paul Leiter, Thelma Koontz, and Joel Leslie in the amount of \$100.00 each, and in favor of the Village of Morral's General Fund in the amount of \$450.00 and Parks & Recreation Fund in the amount of \$300.00.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

Erica Jolliff, Clerk/Treasurer, and Ohio Government Risk Management Plan, her bonding company, will be jointly and severally liable in the amount of \$750.00 and in favor of the Village of Morral's General Fund in the amount of \$450.00 and Parks & Recreation Fund in the amount of \$300.00 to the extent that recovery is not obtained from those Council Members listed above.

Additionally, Deb Thomas, Council Member will be jointly and severally liable in the amount of \$350.00 and in favor of the Village of Morral's General Fund to the extent that recovery is not obtained from those Council Members overpaid for 2007.

Council Member Joel Leslie repaid \$54.08 and \$45.92 to the Village's General and Parks and Recreation Funds, respectively, on April 13, 2009. Council Member Darla Hicks repaid \$91.96 and \$45.92 to the Village's General and Parks and Recreation Funds, respectively, on April 28, 2009. Council Member Deb Thomas repaid \$91.96 and \$45.92 to the Village's General and Parks and Recreation Funds, respectively, on April 30, 2009. Council Member Thelma Koontz repaid \$46.00 and \$45.92 to the Village's General and Parks and Recreation Funds, respectively, on April 30, 2009. Council Member Paul Leiter repaid \$46.00 and \$45.92 to the Village's General and Parks and Recreation Funds, respectively, on July 17, 2009.

**Officials' Response**

Village Council will periodically review payroll ordinances and update as necessary. Additionally, Council will review detailed expenditure reports at regular meetings to ensure that wages are paid in accordance with such ordinances.

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-007**

**Noncompliance Citation  
Deposits of Public Money**

Ohio Rev. Code 9.38 states that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. This policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

As of December 31, 2007, the Village did not deposit six warrants totaling \$4,258 from the State of Ohio that were received in 2006. As of March 18, 2009, these six warrants received in 2006 from the State of Ohio were still outstanding. Furthermore, as of December 31, 2007, the Village did not deposit 28 warrants totaling \$19,022 from the State of Ohio and 11 warrants totaling \$1,270 from the City of Marion that were received in 2007. The Village subsequently received 14 State of Ohio warrants totaling \$9,861 and the total \$1,270 from the City of Marion in 2008. As of March 18, 2009, the remaining 14 State of Ohio warrants received in 2007 were still outstanding.

Failure to deposit timely increases the risk of loss or theft, and results in the loss of interest earnings.

We recommend the Clerk/Treasurer deposit receipts in a timely manner.

**Officials' Response**

The Clerk/Treasurer and/or Council person are now depositing all monies immediately upon receipt.

**FINDING NUMBER 2007-008**

**Noncompliance Citation  
Expenditures Exceed Appropriations**

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control.



**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-008 (Continued)**

**Noncompliance Citation  
Expenditures Exceed Appropriations**

Budgetary expenditures exceeded appropriations as follows:

<b>Fiscal Year End</b>	<b>Fund</b>	<b>Appropriations</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
12/31/06	General	\$39,182	\$43,485	(\$4,303)
12/31/06	Parks & Recreation	\$4,802	\$6,950	(\$2,148)
12/31/06	FEMA Grant	\$0	\$1,357	(\$1,357)
12/31/07	General Fund	\$0	\$32,377	(\$32,377)
12/31/07	Street Construction	\$0	\$7,403	(\$7,403)
12/31/07	State Highway	\$0	\$2,636	(\$2,636)
12/31/07	Parks & Recreation	\$0	\$3,898	(\$3,898)

We recommend the Village closely monitor budget vs. actual reports throughout the year to ensure expenditures do not exceed appropriations. In order to keep expenditures within appropriated amounts, the Village may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another.

**Officials' Response**

Monthly Oversight Committee meetings will include review of budget vs. actual expenditure reports. Amendments to the annual appropriation measure will be made as necessary.

**FINDING NUMBER 2007-009**

**Noncompliance Citation  
Annual Appropriation Measure**

Ohio Rev. Code § 5705.38(A) states that on or about the first day of each year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

For 2007, the Council did not pass an annual appropriation measure.

VILLAGE OF MORRAL  
MARION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

FINDING NUMBER 2007-009 (Continued)

**Noncompliance Citation**  
**Annual Appropriation Measure**

We recommend that the Council pass an annual appropriation measure on or about the first day of each year.

**Officials' Response**

Village Council will pass the annual appropriation measure at the December meeting, or if needed, a temporary appropriation measure until an amended certificate is received based on the actual balances.

FINDING NUMBER 2007-010

**Noncompliance Citation**  
**Certification of Expenditures**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk/Treasurer is attached thereto. The Clerk/Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

2. **Blanket Certificate** – Clerk/Treasurers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF MORRAL  
MARION COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007 AND 2006  
(Continued)

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

FINDING NUMBER 2007-010 (Continued)

**Noncompliance Citation**  
**Certification of Expenditures**

3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Ninety-three percent of transactions tested were not certified by the Clerk/Treasurer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We recommend the Village certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response**

The Village will certify purchases at the time of the commitment in accordance with Ohio Rev. Code § 5705.41(D). Additionally, approved purchase commitments will be posted to the proper appropriation codes in order to provide an accurate picture of Village's expenditures and balances.

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Ohio Rev. Code Section 5705.41(B) – Expenditures exceed appropriations.	No	Finding is being repeated in the current audit as finding number 2007-008.
2005-002	Ohio Rev. Code Section 9.38 – Deposits of public money.	No	Finding is being repeated in the current audit as finding number 2007-007.
2005-003	Approval of inter-fund advances.	Yes	
2005-004	Ohio Rev. Code Section 5705.36 – Certification of Available Resources	No	Partially corrected. Citation is being repeated in the current audit management letter.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MORRAL**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 25, 2009**