



*VILLAGE OF MURRAY CITY, HOCKING COUNTY*

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Regular Audit

For the Year Ended December 31, 2011

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Village Council  
Village of Murray City  
13964 Locust Street  
Murray City, Ohio 43144

We have reviewed the *Independent Auditor's Report* of the Village of Murray City, Hocking County, prepared by J. L. Uhrig and Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditor's Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditor's Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Murray City is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

January 7, 2013

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**VILLAGE OF MURRAY CITY, HOCKING COUNTY**

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For the Year Ended December 31, 2011

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## Independent Auditor's Report

Members of Council  
Village of Murray City, Hocking County  
13964 Locust Street  
Murray City, Ohio 43144

We have audited the accompanying financial statements of the Village of Murray City, Hocking County (Village of Murray City), as of and for the year ended December 31, 2011. 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. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements for the year ended December 31, 2011 present receipts and disbursements by the fund and combined fund type totals only. Ohio Administrative Code Section 117-2-02 (A) requires governments to classify receipt and disbursement transactions.

As described more fully in Note 2, 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2011. Instead of the combined funds the accompanying financial statements present for 2011, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2011. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year end as budgetary expenditures. The Village did not record encumbrances for the year ended December 31, 2011. Accordingly, budgetary expenditures in Note 4 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the year ended December 31, 2011.

Members of Council  
Village of Murray City, Hocking County  
Independent Auditor's Report

In our opinion, because of the effects of the matter discussed in paragraphs three through five above, the financial statements referred to above for the year ended December 31, 2011 does 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, 2011, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, except for the omission of receipt and disbursement classifications for the year ended December 31, 2011 as discussed in paragraph three above and the effects of such adjustments, if any, as might have been determined to be necessary had we performed a search for unrecorded year end outstanding encumbrances as discussed in paragraph six above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Murray City, Hocking County, as of December 31, 2011, and its unclassified cash receipts and unclassified cash disbursements for the year then ended on the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2012, 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 agreements and other matters. While we do 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.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2012

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Fund Types**  
**For the Year Ended December 31, 2011**

	Balance 1/1/2011	Receipts	Disbursements	Balance 12/31/2011
General	\$69,275	\$72,683	\$82,597	\$59,361
<b>Special Revenue:</b>				
Street	(4,650)	23,529	5,209	13,670
State Highway	(229)	1,650	83	1,338
Parks	6	0	0	6
Drug Law Enforcement	625	0	0	625
Fire Levy	521	30,332	32,890	(2,037)
<b>Total Special Revenue</b>	<b>(3,727)</b>	<b>55,511</b>	<b>38,182</b>	<b>13,602</b>
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
<b>Enterprise Funds:</b>				
Water Operating	(55,699)	146,627	155,930	(65,002)
Water Debt	0	8,767	8,767	0
Water Deposit	(26)	0	0	(26)
Sewer	0	1,081	0	1,081
<b>Total Enterprise Funds</b>	<b>(55,725)</b>	<b>156,475</b>	<b>164,697</b>	<b>(63,947)</b>
<b>Agency Fund:</b>				
Mayor's Court	247	19,577	19,669	155
<b>Total All Funds</b>	<b>\$10,070</b>	<b>\$304,246</b>	<b>\$305,145</b>	<b>\$9,171</b>

See accompanying notes to the financial statements.



**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 1 – Reporting Entity**

The Village of Murray City, Hocking 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 Village Council. The Village also has an elected Mayor and an elected Village Fiscal Officer.

The Village provides general government services, street maintenance and water utilities operations, park operations, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

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

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

**Basis of Accounting**

The Village financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements accounting basis. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**Fund Accounting**

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

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

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

*Street Maintenance and Repair Fund* – This fund receives real estate tax, tangible personal property tax, homestead and rollback tax, and gasoline tax monies for constructing, maintaining and repairing Village roads and bridges.

*Fire Levy Fund* – This fund is used to account for receipts from property taxes for the operation of the fire department.

**Proprietary Funds:** These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village had the following significant Proprietary Funds:

*Water Operating Fund* -This fund receives charges for services from residents to cover the cost of providing this utility.

**Fiduciary Funds:** These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village had the following significant fiduciary fund:

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2011*

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**Note 2 – Summary of Significant Accounting Policies** (Continued)

*Mayor’s Court Fund* – This agency fund is used to account for the activities of the Mayor’s Court.

**Budgetary Process**

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

**Appropriations:** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The Hocking County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources.

**Estimated Resources:** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Hocking County Budget Commission must also certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The sum of the disbursements and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2011 budgetary activity appears in Note 4.

**Property, Plant and Equipment**

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

**Accumulated Leave**

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

**Note 3 – Cash and Investments**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2011
	<hr/>
Demand Deposits	<hr/> \$9,171 <hr/>

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution’s public entity deposit pool.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2011**

**Note 4 – Budgetary Basis of Accounting**

The Village’s budgetary activity for the year ending December 31, 2011 was as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$107,458	\$72,683	(\$34,775)
Special Revenue	35,298	55,511	20,213
Enterprise	111,110	156,475	45,365
<i>Total</i>	\$253,866	\$284,669	\$30,803

2011 Budgeted vs. Actual Budgetary Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
	General	\$85,600	\$82,597
Special Revenue	37,897	38,182	(202)
Enterprise	91,000	164,697	(73,697)
<i>Total</i>	\$214,497	\$285,393	(\$70,896)

**Note 5 – Long – Term Obligations**

A schedule of changes in long-term obligations of the Village during 2011 is as follows:

	Principal Outstanding 12/31/10	Additions	Deductions	Principal Outstanding 12/31/11	Amount Due in One Year
<b>Governmental Fund Types:</b>					
Water System Renovation Design 5.28%	\$453,909	\$57,361	\$25,387	\$485,882	\$16,000
Total Governmental Fund Types	\$453,909	\$57,361	\$25,387	\$485,882	\$16,000

During 2009, an OWDA Loan was authorized and the Village is approved to draw up to \$1,190,991 against this loan, \$665,000 of the loan is drinking water assistance funds ARRA monies, which have since been forgiven by OWDA. The remaining amount of \$525,991 is the Village’s responsibility; however, only \$512,181 has been drawn as of December 31, 2011. Since this loan has not been completely drawn, no amortization schedule has been finalized.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 6– Property Taxes**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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 semi-annual payments, the first half is due December 31, and the second half payment is due the following June 20.

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

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

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

**Note 7 – Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2011, the Village obtained commercial insurance from private carriers.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

**Note 8 – Retirement Systems**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post- employment health care coverage.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 8 – Retirement Systems** – (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Village's contribution rate for pension benefits for 2011 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 18.10 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$5,580, \$4,360, and \$3,273, respectively. The full amount has been contributed for 2011, 2010 and 2009.

**Note 9 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2011 local government employer contribution rate was 14.0 percent of covered payroll (18.10 percent for public safety and law enforcement); 4.0 percent of covered payroll was the portion that was used to fund health care.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**Note 10 – Budgetary Compliance**

The Village had the following citations for budgetary noncompliance:

The Village failed to properly use purchase orders to certify that funds were available and appropriated for various transactions throughout 2011, contrary to ORC 5705.41(D).

The Village failed to obtain a reduced amended certificate when the actual resources fell below the level of appropriations, contrary to ORC Section 5704.36(A)(4).

The Village had expenditures that exceeded appropriations, contrary to ORC 5705.41(B).

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2011**

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**Note 11 – Negative Fund Balance**

The Village had a negative fund balance of \$2,037 in the Fire Levy Fund, \$26 in the Water Deposit Fund and \$65,002 in the Water Operating Fund as of December 31, 2011. Currently, management is taking steps to reduce spending and to implement a system of accounting that will facilitate in the monitoring of the Village's finances.

**Note 12 – Contingencies**

The Village is a party to several actions to collect payments due by the Village. The Village is currently working to resolve these issues and make arrangements for repayment or schedule payments to take care of these obligations.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

Village Council  
Village of Murray City, Hocking County  
13964 Locust Street  
Murray City, OH 43144

We have audited the accompanying financial statements of the Village of Murray City, Hocking County, Ohio, as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 24, 2012, wherein we noted the Village followed the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. The report on the financial statements of the Village was qualified due to the preparation of unclassified statements by the Village and the omission of the outstanding encumbrances. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001, 2011-003 through 2011-006, and 2011-010 described in the accompanying schedule of findings to be material weaknesses.

Village Council  
Village of Murray City, Hocking County  
Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Required by  
Government Auditing Standards

### **Compliance and Other Matters**

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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003 and 2011-007 through 2011-009.

We also noted certain additional matters that we have reported to management of the Village in a separate letter dated August 24, 2012.

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.

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

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

August 24, 2012



**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

***Finding Number 2011-001***

**Maintaining Public Records - Noncompliance Citation and Material Weakness**

Ohio Admin. Code 117-2-02 requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

In addition, all local public offices should maintain or provide a report similar to the following payroll records:

- W-2's, W-4's and other withholding records and authorizations.
- Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
- Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
- Information regarding nonmonetary benefits such as car usage and life insurance.
- Information, by employee, regarding leave balances and usage.

Using these account records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

During the audit period, the Village did not properly maintain a cash journal, receipts ledger, appropriation ledger, or payroll journal. There was also no indication of a receipt book to document date and source of items received. In addition, personnel files did not include hiring authorizations or documentation of approved pay rates. Several personnel files did not include PERS forms, W-4's or IT-4's. Timecards or timesheets were only maintained for police officers, none were kept for other Village employees. There was no indication of tracking of vacation or sick leave accrual and usage. As a result, the Village was unable to prepare an accurate and complete set of financial statements for the audit period.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

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***Finding Number 2010-001 (Continued)***

Failure to maintain adequate accounting records restricts the Village's ability to monitor its financial activity and current financial status, eliminating key management tools for making sound financial decisions.

We recommend the Village utilize an accounting system in accordance with Ohio Admin. Code 117-2-02.

Officials Response

The Village Fiscal Officer has indicated that she will review the requirements and maintain the ledgers as prescribed.

***Finding Number 2011-002***

**Negative Fund Balances - Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2011, there was negative balance for the Fire Levy, Water Deposits and Water Operating Funds.

Negative cash fund balances are an indication that receipts from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future disbursements in excess of available resources. In those cases where additional funds are required, the resources should be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Officials Response

The Village Fiscal Officer will monitor the fund balances closely to help ensure that disbursements from any fund will not result in a negative fund balance.

***Finding Number 2011-003***

**Maintaining Purchase Orders - Noncompliance Citation and Material Weakness**

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirements:

- Then and Now Certificates – 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 or the certificate, appropriated and free of any previous encumbrances, the Village 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, if such expenditure is otherwise valid.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

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***Finding Number 2011-003 (Continued)***

- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

Several transactions tested had no certification attached and some transactions were not certified prior to the purchase commitment. There was no indication that “then and now” certificates were used.

The Village should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer’s certificate, the Village should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a “then and now” certificate.

Officials Response

The Village Officials are taking the necessary steps to ensure future compliance.

***Finding Number 2011-004***

**Federal and State Income Tax Withholdings – Material Weakness**

The Internal Revenue Service and the Ohio Tax Department require that payroll withholdings for federal and state income taxes be remitted on a timely basis. These requirements establish the time frame for which withholdings are to be remitted and the necessary reporting that is to be filed.

During our testing, we found that the Village was delinquent in remitting federal and state income tax withholdings to the appropriate agencies. The Village was unable to locate any Federal 941 Quarterly reports for 2011 and we found no documentation that any federal remittances had been made. We also were unable to verify that any income tax withholding had been remitted to the State of Ohio for 2011. Our payroll testing did find that the Village is properly withholding federal and state income tax from the employees’ paychecks, the issue is that the Village has not remitted these amounts to the proper authorities.

We recommend the Village Fiscal Officer take the care necessary to ensure payroll withholdings for federal and state income taxes are being remitted and the required reports are being filed, on a timely basis to avoid penalties. The Village should also take the necessary steps to address repayment of the 2010 and 2009 withholdings and file the appropriate reports for each year.

Officials Response

The Village Officials are taking the necessary steps to ensure future compliance and address the past omissions.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

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***Finding Number 2011-005***

**Nonemployee Compensation – Material Weakness**

The Internal Revenue Service requires that employers file Form 1099-MISC, Miscellaneous Income, for each person to whom they did not consider an employee and did not withhold income tax or social security and medicare tax, which they have paid at least \$600 in services to during the year.

During our testing, we found that the Village did not file the forms for any of their one nonemployees, which were all compensated over the \$600 during 2011.

We recommend the Village Fiscal Officer take the care necessary to ensure the required forms are being filed for nonemployee compensation. The Village should also take the necessary steps to address nonemployee compensation for 2011 and file the appropriate reports.

**Officials Response**

The Village Officials are taking the necessary steps to ensure future compliance and address the past omissions.

***Finding Number 2011-006***

**Employee Compensation – Material Weakness**

The Internal Revenue Service requires that employers file Form W-2, Wage and Tax Statement, for each person to whom they did consider an employee and did withhold income tax or social security and medicare tax, which they have paid in services to during the year.

During our testing, we found that the Village did not file the form for one employee, which was compensated during 2012.

We recommend the Village Fiscal Officer take the care necessary to ensure the required forms are being filed for employee compensation. The Village should also take the necessary steps to address employee compensation for 2012 and file the appropriate reports.

**Officials Response**

The Village Officials are taking the necessary steps to ensure future compliance and address the past omissions

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

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***Finding Number 2011-007***

**Establishing Rates of Pay - Noncompliance Citation**

Ohio Rev. Code Section 731.13 states, in part, the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village, except where otherwise provided by law. This provision also states that where the legislative authority has set the compensation for elective officers, such compensation shall not be increased or diminished during the term for which any officer is elected or appointed.

There was no indication in the minute record, ordinance file, or the employees' personnel files of establishment of salaries for the elected officials or the employees of the Village. This could result in confusion as to the rate of pay for new employees or elected officials.

We recommend the Village Council annually pass an ordinance that sets the salary for each elected official and employee of the Village.

**Officials Response**

The Village Officials are taking the necessary steps to ensure future compliance.

***Finding Number 2011-008***

**Actual Receipts less than Estimated Receipts - Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

Actual receipts were significantly less than estimated receipts, reducing available resources below the level of appropriations in the General, Motor Vehicle, and State Highway Funds, in 2011. Since the expenditure of Village funds is based on estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Fiscal Officer should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. The Village Council should then make corresponding reductions in appropriations.

**Officials Response**

The Village Fiscal Officer will monitor estimated and actual receipts and request the appropriate amended certificates.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Findings**  
**For the Year Ended December 31, 2011**

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***Finding Number 2011-009***

**Expenditures exceeding Appropriations - Noncompliance Citation**

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

At December 31, 2011, expenditures exceeded appropriations in the Fire Levy and Water Operating Funds.

Failure to properly appropriate expenditures could and did result in negative fund balances for the Village during 2011.

The Fiscal Officer should frequently compare actual expenditures with appropriations at the fund level to avoid overspending. We further recommend that no money be expended if it has not been properly appropriated by the Village Council.

**Officials Response**

The Village Officials are taking the necessary steps to ensure future compliance.

***Finding Number 2011-010***

**Segregation of Duties - Material Weakness**

Management has a key role to play in ensuring the Village establishes and maintains effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a material weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations included in our report. The small size of the Village's staff did not allow for an adequate segregation of duties as the Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies.

Monitoring controls could be implemented where the Village Council could monitor financial activity closely and follow up on any audit findings.

We recommend Council become more actively involved in monitoring the financial activity of the Village. Council should ensure that the Fiscal Officer performs monthly bank reconciliations. Council should review the validity of the computations and attest to their accuracy. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

**Officials Response**

Council has indicated that they will be more active in monitoring and supervising financial activity.

**VILLAGE OF MURRAY CITY, HOCKING COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2011**

Description	Status	Comments
1. Maintaining Public Records	Not Corrected	Re-issued as Finding 2011-001
2. Financial Record Keeping and Reporting	Corrected	N/A
3. Proper Receipting of Monies	Corrected	N/A
4. Negative Fund Balances	Not Corrected	Re-issued as Finding 2011-002
5. Maintaining Support Documents	Corrected	N/A
6. Maintaining Purchase Orders	Not Corrected	Re-issued as Finding 2011-003
7. Federal and State Income Tax Withholdings	Not Corrected	Re-issued as Finding 2011-004
8. Nonemployee Compensation	Not Corrected	Re-issued as Finding 2011-005
9. Estimated Rates of Pay	Not Corrected	Re-issued as Finding 2011-007
10. Actual Receipts less than Est. Receipts	Not Corrected	Re-issued as Finding 2011-008
11. Expenditures exceeding Appropriations	Not Corrected	Re-issued as Finding 2011-009
12. Segregation of Duties	Not Corrected	Re-issued as Finding 2011-010

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# Dave Yost • Auditor of State

VILLAGE OF MURRAY CITY

HOCKING 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  
JANUARY 17, 2013