

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Village of Marshallville
7 North Main Street
Marshallville, Ohio 44645

We have reviewed the *Independent Accountants' Report* of the Village of Marshallville, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period January 1, 2009 through December 31, 2010. 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 Accountants' 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 Accountants' 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 Marshallville is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 15, 2011

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VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

June 23, 2011

Village of Marshallville
Wayne County
7 North Main Street
Marshallville, OH 44645

To the Village Council:

We have audited the accompanying financial statements of **Village of Marshallville**, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 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 the 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.

Village of Marshallville
Wayne County
Independent Accountants' Report
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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, 2010 and 2009 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, 2010 and 2009 or their changes in financial position or cash flows 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 Marshallville, Wayne County, Ohio, as of December 31, 2010 and 2009, 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 June 23, 2011, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 25,857	\$ 11,632	\$ -	\$ 37,489
Municipal Income Taxes	-	51,099	-	51,099
Intergovernmental	34,399	51,070	-	85,469
Charges for Services	4,425	63,145	-	67,570
Fines, Licenses and Permits	17,551	1,342	-	18,893
Earnings on Investments	1,533	-	-	1,533
Miscellaneous	7,318	500	-	7,818
	<u>91,083</u>	<u>178,788</u>	<u>-</u>	<u>269,871</u>
Total Cash Receipts				
	<u>91,083</u>	<u>178,788</u>	<u>-</u>	<u>269,871</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	52,293	50,335	-	102,628
Public Health Services	1,010	-	-	1,010
Leisure Time Activities	10,193	-	-	10,193
Transportation	624	29,779	-	30,403
General Government	63,808	252	-	64,060
Capital Outlay	-	6,218	2,633	8,851
	<u>127,928</u>	<u>86,584</u>	<u>2,633</u>	<u>217,145</u>
Total Cash Disbursements				
	<u>127,928</u>	<u>86,584</u>	<u>2,633</u>	<u>217,145</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(36,845)</u>	<u>92,204</u>	<u>(2,633)</u>	<u>52,726</u>
Other Financing Receipts/(Disbursements):				
Transfer-In	42,000	25,000	14,000	81,000
Transfer-Out	-	(81,000)	-	(81,000)
Other Financing Sources	-	372	-	372
Other Financing Uses	-	(821)	-	(821)
	<u>42,000</u>	<u>(56,449)</u>	<u>14,000</u>	<u>(449)</u>
Total Other Financing Receipts/(Disbursements)				
	<u>42,000</u>	<u>(56,449)</u>	<u>14,000</u>	<u>(449)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,155	35,755	11,367	52,277
Fund Cash Balances, January 1	22,854	243,223	23,381	289,458
	<u>22,854</u>	<u>243,223</u>	<u>23,381</u>	<u>289,458</u>
Fund Cash Balances, December 31	<u>\$ 28,009</u>	<u>\$ 278,978</u>	<u>\$ 34,748</u>	<u>\$ 341,735</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,034,128	\$ -	\$ 1,034,128
Miscellaneous	2,135	-	2,135
Total Operating Cash Receipts	<u>1,036,263</u>	<u>-</u>	<u>1,036,263</u>
Operating Cash Disbursements:			
Personal Services	153,025	-	153,025
Transportation	3,415	-	3,415
Contractual Services	752,270	-	752,270
Supplies and Materials	113,552	-	113,552
Capital Outlay	1,817,550	-	1,817,550
Total Operating Cash Disbursements	<u>2,839,812</u>	<u>-</u>	<u>2,839,812</u>
Operating Income (Loss)	<u>(1,803,549)</u>	<u>-</u>	<u>(1,803,549)</u>
Non-Operating Cash Receipts/(Disbursements):			
Intergovernmental	1,211,049	-	1,211,049
Note Proceeds	1,975,028	-	1,975,028
Other Non-Operating Receipts	9,161	15,332	24,493
Other Non-Operating Disbursements	(7,236)	(14,685)	(21,921)
Redemption of Principal	(1,266,941)	-	(1,266,941)
Interest and Other Fiscal Charges	(30,638)	-	(30,638)
Total Non-Operating Cash Receipts/(Disbursements)	<u>1,890,423</u>	<u>647</u>	<u>1,891,070</u>
Net Cash Receipts Over/(Under) Cash Disbursements	86,874	647	87,521
Fund Cash Balances, January 1	<u>304,520</u>	<u>3,361</u>	<u>307,881</u>
Fund Cash Balances, December 31	<u>\$ 391,394</u>	<u>\$ 4,008</u>	<u>\$ 395,402</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 24,431	\$ 10,983	\$ -	\$ 35,414
Municipal Income Taxes	-	56,917	-	56,917
Intergovernmental	34,416	120,325	-	154,741
Charges for Services	3,964	39,011	-	42,975
Fines, Licenses and Permits	27,524	1,881	-	29,405
Earnings on Investments	1,193	-	-	1,193
Miscellaneous	8,173	17,822	-	25,995
	<u>99,701</u>	<u>246,939</u>	<u>-</u>	<u>346,640</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	53,416	51,454	-	104,870
Public Health Services	1,340	-	-	1,340
Leisure Time Activities	10,522	-	-	10,522
Transportation	2,166	51,600	-	53,766
General Government	88,107	207	-	88,314
Capital Outlay	-	306,702	2,369	309,071
	<u>155,551</u>	<u>409,963</u>	<u>2,369</u>	<u>567,883</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(55,850)</u>	<u>(163,024)</u>	<u>(2,369)</u>	<u>(221,243)</u>
Other Financing Receipts/(Disbursements):				
Transfer-In	77,250	15,000	25,750	118,000
Transfer-Out	-	(118,000)	-	(118,000)
Other Financing Uses	-	(732)	-	(732)
	<u>77,250</u>	<u>(103,732)</u>	<u>25,750</u>	<u>(732)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,400	(266,756)	23,381	(221,975)
Fund Cash Balances, January 1	<u>1,454</u>	<u>509,979</u>	<u>-</u>	<u>511,433</u>
Fund Cash Balances, December 31	<u>\$ 22,854</u>	<u>\$ 243,223</u>	<u>\$ 23,381</u>	<u>\$ 289,458</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type	Fuduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency Fund	
Operating Cash Receipts:			
Charges for Services	\$ 1,005,285	\$ -	\$ 1,005,285
Total Operating Cash Receipts	1,005,285	-	1,005,285
Operating Cash Disbursements:			
Personal Services	148,363	-	148,363
Transportation	3,537	-	3,537
Contractual Services	649,961	-	649,961
Supplies and Materials	137,139	-	137,139
Capital Outlay	32,702	-	32,702
Total Operating Cash Disbursements	971,702	-	971,702
Operating Income (Loss)	33,583	-	33,583
Non-Operating Cash Receipts/(Disbursements):			
Note Proceeds	5,540	-	5,540
Other Non-Operating Receipts	9,384	20,814	30,198
Other Non-Operating Disbursements	(8,376)	(25,675)	(34,051)
Redemption of Principal	(42,423)	-	(42,423)
Interest and Other Fiscal Charges	(31,668)	-	(31,668)
Total Non-Operating Cash Receipts/(Disbursements)	(67,543)	(4,861)	(72,404)
Net Cash Receipts Over/(Under) Cash Disbursements	(33,960)	(4,861)	(38,821)
Fund Cash Balances, January 1	338,480	8,222	346,702
Fund Cash Balances, December 31	\$ 304,520	\$ 3,361	\$ 307,881

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Marshallville, Wayne County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including maintenance of Village streets, police and ambulance services, utilities, and recreation.

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 and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. 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:

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 are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

State Highway Fund – This fund receives gasoline tax money for constructing, maintaining, and repairing Village streets.

Fire Fund – This fund receives tax money from a voted levy for fire and ambulance service as well as charges for services from fire contracts.

FEMA Grant Fund – This fund receives federal grant money to upgrade the fire department's communication system.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except for those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Outlay Fund – This fund receives transfers from the Income Tax Fund to finance capital outlay purchases for the Village.

4. Enterprise Funds

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

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Electric Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

5. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization, or other government. The Village's agency fund accounts for Mayor's Court fines and forfeitures.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 737,137	\$ 597,339
Total	<u>\$ 737,137</u>	<u>\$ 597,339</u>

Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 120,050	\$ 133,083	\$ 13,033
Special Revenue	164,600	204,160	39,560
Capital Projects	14,000	14,000	-
Enterprise	3,009,200	4,231,501	1,222,301
Total	\$ 3,307,850	\$ 4,582,744	\$ 1,274,894

2010 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 185,958	\$ 127,928	\$ 58,030
Special Revenue	211,522	168,405	43,117
Capital Projects	-	2,633	(2,633)
Enterprise	1,193,000	4,144,627	(2,951,627)
Total	\$ 1,590,480	\$ 4,443,593	\$ (2,853,113)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 197,020	\$ 176,951	\$ (20,069)
Special Revenue	389,848	261,939	(127,909)
Capital Projects	14,000	25,750	11,750
Enterprise	1,119,200	1,020,209	(98,991)
Total	\$ 1,720,068	\$ 1,484,849	\$ (235,219)

2009 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 169,520	\$ 155,551	\$ 13,969
Special Revenue	398,800	528,695	(129,895)
Capital Projects	-	2,369	(2,369)
Enterprise	1,180,540	1,054,169	126,371
Total	\$ 1,748,860	\$ 1,740,784	\$ 8,076

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest</u>
OWDA - 3225 Waterline Replacement	\$ 45,188	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	52,542	2.00%
OWDA - 5249 WWTP Improvements	399,293	0.00%
Farmers State Bank Electric Distribution System Note	270,000	4.00%
OPWC - CP20D Waterline Replacement Project Phase 2	76,399	0.00%
OPWC - CP17C Waterline Replacement Project Phase 1	49,085	0.00%
OPWC - CP002 Sanitary Sewer Separation Project	62,348	0.00%
OPWC - CT84M Sanitary Sewer Replacement	75,482	0.00%
OPWC - CT21M Stormsewer	26,685	0.00%
OPWC - CP05J Wastewater Treatment Plant	427,992	0.00%
Capmark Mortgage Revenue - #01-049500-1	246,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	19,400	7.15%
Capmark Mortgage Revenue - #01-049500-5	43,400	5.00%
	<u>\$ 1,793,814</u>	

The Ohio Water Development Authority (OWDA) Loans were used for water and sewer system improvements. In 2009, OWDA paid off Loan #4479 and rolled the \$165,472 due into OWDA Loan #5249, which relates to the wastewater treatment plant construction project. The Village is servicing this loan through the Sewer Fund. This project is partially funded through Federal ARRA grant funding projects, with \$1,211,049 in principal forgiven as of December 31, 2010. This loan has not been fully dispersed as of December 31, 2010, and no amortization schedule is available for its repayment. The Ohio Public Works Commission (OPWC) Loans were for water and sewer projects. The Mortgage Revenue Bonds were for various water improvement projects. All of these issues will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirements.

The Electric Distribution System Note was for improvements to the Village's electric distribution system. The loan is renewable each year. The loan will be paid with revenues derived from electric utility rates.

Amortization of the above debt, including interest, excluding those for which no amortization schedule has been determined is scheduled as follows:

Year ending December 31:	OWDA Loans	OPWC Loans	Mortgage Revenue Bonds
2011	\$ 10,625	\$ 10,378	\$ 33,357
2012	10,625	20,755	33,567
2013	10,625	20,755	33,822
2014	10,625	20,755	33,915
2015	10,625	20,756	34,053
2016-2020	53,125	95,466	169,162
2021-2025	7,985	7,276	112,533
2026-2028	-	-	11,589
Total	<u>\$ 114,235</u>	<u>\$ 196,141</u>	<u>\$ 461,998</u>

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. 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.

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 each April 30.

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

6. LOCAL INCOME TAXES

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village corporation limits, as well as certain income of residents earned outside the Village corporate limits.

Employers within the Village withhold income tax on employee compensation and remit tax to the Village monthly, quarterly, or as required. Corporation and individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10.0% of their gross salaries, and the Village contributed an amount equaling 14.0% of participants' gross salaries. The Village paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	(15,256,862)	(15,310,206)
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$13,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$13,450	\$12,987

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

9. INTERFUND TRANSFERS

During 2010 and 2009, the Village transferred monies to allocate funds for fire equipment purchases from the Fire Special Revenue and Ambulance Special Revenue Funds to the Fire Equipment Special Revenue Fund. During 2010 and 2009, the Village transferred a portion of the collected local income tax monies from the Income Tax Special Revenue Fund to the General and Capital Outlay Capital Projects Funds. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

June 23, 2011

Village of Marshallville
Wayne County
7 North Main Street
Marshallville, OH 44645

To the Village Council:

We have audited the financial statements of **Village of Marshallville**, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 23, 2011, 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 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 the purpose of expressing our opinions 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 audit findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control 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 finding 2010-001 described in the accompanying schedule of audit findings to be a material weakness.

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-002 described in the accompanying schedule of audit findings to be a significant deficiency.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as finding 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 23, 2011.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Loan proceeds from Ohio Water Development Authority (OWDA) were not fully recorded as Other Debt Proceeds and Capital Outlay
- Principal loan forgiveness from federal ARRA monies were not fully recorded as Intergovernmental and Redemption of Principal
- Homestead, rollback, personal property tax reimbursement and utility deregulation receipts were posted as Property and Local Taxes instead of Intergovernmental in the General Fund in 2010 and 2009
- Mayor's Court receipts and franchise fees were posted as Miscellaneous instead of Fines, Licenses and Permits in the General Fund in 2009
- Real estate and personal property tax receipts were recorded at net instead of gross in the General and Fire Funds in 2010 and 2009
- FEMA and state grant funding were posted as Charges for Services, Miscellaneous and Other Financing Sources instead of Intergovernmental in the Ambulance and FEMA Grant Funds in 2009 and the Fire Fund in 2010.
- Real estate tax receipts were posted as Miscellaneous instead of Property and Other Local Taxes in the Fire Fund in 2009
- Motor vehicle license fees and related expenditures were posted as Property and Other Local Taxes and Transportation in the General Fund instead of Intergovernmental and Transportation in the Street Construction, Maintenance and Repair Fund in 2010 and 2009
- Personal property reimbursement receipts and related expenditures were posted as Property and Other Local Taxes and Security of Persons and Property in the General Fund instead of Intergovernmental and Security of Persons and Property in the Fire Fund in 2010 and 2009
- Real estate, personal property and manufactured homes tax receipts and related expenditures were posted to the General Fund instead of the Fire Fund in 2009
- Meter deposit receipt were posted as Property and Other Local Taxes in the General Fund instead of Charges for Services in the Utilities Deposit Fund in 2009
- Mayor's Court receipts were posted as Miscellaneous in the Emergency Vehicle Fund instead of Fines, Licenses and Permits in the General Fund in 2009
- Tax refund were posted as Property and Other Local Taxes instead of Miscellaneous in the General Fund in 2010
- Real estate tax receipt and related expenditures were posted as Miscellaneous and Personal Services in the Water Fund instead of Property and Other Local Taxes and General Government in the General Fund in 2010
- Excise tax receipt and related expenditures were posted as Intergovernmental and Transportation in the Street Construction, Maintenance and Repair Fund instead of the State Highway Fund in 2010
- Mayor's Court activity not properly recorded in the Agency Fund

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001 (Continued)

Posting Receipts and Expenditures (Continued)

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The Village has made all adjustments to its accounting system, and the financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2010-002

Significant Deficiency/Noncompliance Citation

Ohio Rev. Code Section 733.40 states all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor that in any manner come into the mayor's hands, or that are due the mayor or marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the treasury of the municipal corporation on the first Monday of each month.

During 2010 and 2009, monies collected by the Mayor's Court were not always paid to the Village by the first Monday of the month.

We recommend the Mayor's Court pay all monies collected to the appropriate entity by the first Monday of each month.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 5705.39 – Appropriations exceeding total estimated resources	No	Not Corrected; Moved to the Management Letter
2008-002	ORC Section 5705.41(B) – Expenditures exceeding appropriations	No	Not Corrected; Moved to the Management Letter
2008-003	ORC Section 5705.41(D) – Expenditures not properly encumbered	No	Not Corrected; Moved to the Management Letter
2008-004	Posting Receipts and Expenditures	No	Not Corrected; Repeated as Finding 2010-001
2008-005	Bank Reconciliations	Yes	
2008-006	Income Tax Distribution	Yes	



Dave Yost • Auditor of State

VILLAGE OF MARSHALLVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 28, 2011