



Dave Yost • Auditor of State

**Village of Morral
Marion County**

Financial Emergency Termination

Local Government Services

Village of Morral, Marion County

Fiscal Emergency Termination

Table of Contents

Certification..... 1

Report on the Village of Morral
Fiscal Emergency Termination..... 3

Section 1 - Financial Accounting and Reporting System 4

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence
of Fiscal Emergency Conditions..... 6

Section 3 - Financial Plan Objectives..... 9

Section 4 - Financial Forecast 10

Disclaimer 10

Appendix A
Village of Morral Financial Forecast
For the Years Ending December 31, 2015 through December 31, 2019

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Dave Yost • Auditor of State

CERTIFICATION

The Auditor of State has performed an analysis of the Village of Morral to determine whether the Village has satisfied the requirements of Section 118 of the Ohio Revised Code for termination from fiscal emergency. Based on the analysis, the Auditor of State certifies that the Village of Morral no longer meets the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, that the objectives of the financial recovery plan are being met, that an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code has been implemented, and that Management has prepared a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State and an opinion has been rendered by the Auditor of State that the financial forecast is considered to be nonadverse. Therefore, the existence of the financial supervisor, with the powers and responsibilities of the Financial Planning and Supervision Commission, for the Village of Morral is terminated as of March 26, 2015.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to Deb Thomas, Mayor of the Village of Morral; Jimmie Cunningham, President Pro-Tempore of Village Council; John Kasich, Governor; Timothy Keen, Director of the Office of Budget and Management; and Joan M. Kasotis, Marion County Auditor.

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Dave Yost
Auditor of State

March 26, 2015

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Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Report on the Village of Morral Fiscal Emergency Termination

As provided by Section 118.27(B) of the Ohio Revised Code, the Auditor of State has performed an analysis in order to determine if the Village of Morral has satisfied the requirements set forth in Section 118.27(A) of the Revised Code in order for the Village's fiscal emergency status to be terminated.

Guidelines for performing such an analysis are set forth in Section 118.27(A) of the Revised Code, which states that:

“A Financial Planning and Supervision Commission with respect to a municipality...and its functions under this chapter shall continue in existence until such time as a determination is made pursuant to division (B) of this section that the municipality...has done all of the following: (1) planned, and is in the process of good faith implementation of, an effective financial accounting and reporting system in accordance with Section 118.10 of the Revised Code, and it is reasonably expected that such implementation will be completed within two years; (2) corrected and eliminated or has planned and is in the process of good faith implementation of correcting and eliminating all the fiscal emergency conditions determined pursuant to Section 118.04 of the Revised Code, and no new emergency conditions have occurred...; (3) met the objectives of the financial plan described in Section 118.06 of the Revised Code; and (4) the municipal corporation...prepares a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State...”.

Under Section 118.05(L), the Auditor of State has served as the financial supervisor in place of the financial planning and supervision commission due to the Village having a population of less than one thousand.

Results of our work under Section 118.27(A) of the Revised Code are as follows:

Pages four through five of the report indicate that the Village has effectively implemented a financial accounting and reporting system in accordance with Section 118.10(A) of the Revised Code.

All fiscal emergency conditions have been corrected and eliminated and no new fiscal emergency conditions exist under Section 118.04 of the Revised Code. This analysis can be found beginning on page six.

We have reviewed the objectives of the financial plan and determined that the Village has met the objectives in accordance with Section 118.06 of the Revised Code. Specific conclusions can be found on page nine.

We examined and issued a nonadverse report on the five-year forecast prepared by the Village. The forecast and our report can be found in Appendix A.

Based on this analysis, the Auditor of State's Office has determined that the fiscal emergency for the Village of Morral may be terminated.

It is understood that this report's determination is for the use of the Village of Morral, the Auditor of State of Ohio, the Governor of Ohio, and others as designated by the Auditor of State and is not to be used for any other purpose. Our procedures and findings follow.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Section 1 - Financial Accounting and Reporting System

When a Village is placed in fiscal emergency, the Auditor of State is required to report on the effectiveness of the Village's financial accounting and reporting system. The Auditor of State, in accordance with Section 118.10(A) of the Revised Code assessed the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Morral (the Village) and issued a Report on Accounting Methods, dated September 16, 2014. The report identified areas where the Village's financial accounting and reporting system were not in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

The criteria for termination from fiscal emergency include a determination by the Auditor of State that an effective financial accounting and reporting system has been implemented, or is in the process of implementation, and is expected to be completed within two years. This determination is based on management providing a summary of the actions taken to address the issues identified in the Report of Accounting Methods. We confirmed whether the actions taken by management were sufficient to correct the issues identified in the Report on Accounting Methods. A summary of each area of noncompliance identified in the Report on Accounting Methods and the status of each corrective action is presented below:

Budgetary System

Auditor of State Comment from Report on Accounting Methods

The Village had deficit fund balances contrary to Section 5705.10 of the Revised Code. The Village Fiscal Officer, as well as the Village Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.

Implemented

The Village has eliminated all deficit fund balances. Village Council is presented with the cash summary by fund, revenue status, and appropriation status reports each month.

Auditor of State Comment from Report on Accounting Methods

Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for appropriations demonstrating the effect of the appropriations and compliance with budgetary requirements, if adopted.

Implemented

The Fiscal Officer reviews the comparison of appropriations to estimated resources with Village Council upon request of additional appropriations.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Purchasing Process

Auditor of State Comment from Report on Accounting Methods

The Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services. All purchases should be certified by the Fiscal Officer prior to the order for goods or services being placed.

Implemented

The Fiscal Officer uses regular and blanket purchase orders to initiate purchase commitments and to encumber funds against applicable appropriation accounts prior to the purchase of goods or services.

Inventory of Capital Assets

Auditor of State Comment from Report on Accounting Methods

The Village does not have an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

Implemented

The Village has adopted a capital asset policy and prepared an inventory of all property, buildings, and equipment.

Audit Report and Management Letters

The Village Council and Officials receive a compliance and management letter at the conclusion of each annual audit. The letters that accompanied the December 31, 2012 and 2013 audit identified one recommendation relating to the inability to locate the Internal Revenue Service Form 941 for the first and third quarters of 2012. These forms were later located in the Fiscal Officer's files.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Section 2 - Correction of Fiscal Emergency Conditions and Current Existence of Fiscal Emergency Conditions

Under Section 118.27(A)(3)(b) of the Ohio Revised Code, the Village shall have corrected or eliminated or have planned and be in the process of good faith implementation of actions to correct and eliminate all of the fiscal emergency conditions that existed when declared in fiscal emergency and no new fiscal emergency conditions have occurred in order to be terminated from fiscal emergency. Our analysis of the six fiscal emergency conditions described in Section 118 of the Revised Code is presented below:

Condition One - Default on Any Debt Obligation

Section 118.03(A)(1) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a default on any debt obligation for more than thirty days.

The debt issue, the payment date, and the amount due are presented below:

<u>Debt Issue</u>	<u>Payment Date</u>	<u>Amount Due</u>	<u>Payments 30 Days Past Due at 2014</u>
<u>Loans Payable</u>			
OWDA Wastewater Treatment Planning	January 1, 2020	\$18,000	\$0

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(1) of the Revised Code. No loan payment is due until January 1, 2020.

Condition Two - Payment of All Payroll

Section 118.03(A)(2) of the Revised Code defines a fiscal emergency condition as:

The existence, at the time of the determination by the Auditor of State under Section 118.04 of the Revised Code, of a failure for lack of cash in the funds to make payment of all payroll to employees of the municipal corporation in the amounts and at the times required by laws, ordinances, resolutions, or agreements, which failure of payment has continued:

- a. For more than thirty days after such time for payment, or
- b. Beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever first occurs, if the time for payment has been extended for more than thirty days by the written consent of at least two-thirds of the employees affected by such failure to pay, acting individually or by their duly authorized representatives.

We obtained an understanding of the payroll process through discussion with the Fiscal Officer. We obtained payroll reports and pay rate legislation. We reviewed bank statements to determine whether Village employees were paid within the time specified by Sections 118.03(A)(2)(a) and (b) of the Revised Code. We determined that adequate cash was in the bank account and fund balances to cover payroll.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(2) of the Revised Code as of December 31, 2014. All employees have been paid in amounts and at the times required by ordinance.

Condition Three - Increase in Minimum Tax Levy

Section 118.03(A)(3) of the Revised Code defines a fiscal emergency condition as:

An increase, by action of the county budget commission pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation for the current or next fiscal year which results in a reduction in the minimum levies for one or more other subdivisions or taxing districts.

We confirmed with the Marion County Budget Commission whether there had been an increase, pursuant to division (D) of Section 5705.31 of the Revised Code, in the minimum levy of the Village for 2013 or 2014 which resulted in a reduction in the minimum levies for one or more other subdivisions or taxing districts. The confirmation received from the Marion County Budget Commission indicated that the Commission had not taken any action for tax year 2013 or 2014 to increase the inside millage of the Village.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(3) of the Revised Code as of December 31, 2014.

Condition Four - Past Due Accounts Payable from the General Fund and all Funds

Section 118.03(A)(4) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which all accounts that, at the end of its preceding fiscal year, were due and payable from the general fund and that either had been due and payable at least thirty days at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities and including any interest and penalties thereon, less the year end balance in the general fund, exceeded one-sixth of the general fund budget for the year, or in which all accounts that, at the end of its preceding fiscal year, were due and payable from all funds of the municipal corporation and that either had been due and payable for at least thirty days as at the end of the fiscal year or to which a penalty has been added for failure to pay by the end of the fiscal year, less the year end balance in the general fund and in respective special funds lawfully available to pay such accounts, exceeded one-sixth of the available revenues during the preceding fiscal year, excluding nonrecurring receipts, of the general fund and of all special funds from which such accounts lawfully are payable.

We prepared a schedule of accounts payable as of December 31, 2014, for all funds that were due and payable for at least thirty days or to which a penalty had been added for failure to pay as of December 31, 2014, including, but not limited to, final judgments, fringe benefits payments due and payable, and amounts due and payable to persons and other governmental entities including any interest and penalties. There were no payables over thirty days past due in any fund.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(4) of the Revised Code as of December 31, 2014. There were no payables over thirty days past due.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Condition Five - Deficit Fund Balances

Section 118.03(A)(5) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of its preceding fiscal year, less the total of any year end balance in the general fund and in any special fund that may be transferred as provided in Section 5705.14 of the Revised Code to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.

We computed the adjusted aggregate sum of all deficit funds at December 31, 2014, by subtracting all accounts payable and encumbrances from the year end cash fund balance of each fund. No further calculations were necessary because there were no deficit fund balances.

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(5) of the Revised Code. There were no deficit fund balances at December 31, 2014.

Condition Six - Treasury Balances

Section 118.03(A)(6) of the Revised Code defines a fiscal emergency condition as:

The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation minus outstanding checks and warrants were less in amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

We verified the Village's reconciled bank balance to its statement of cash position by fund for all funds as of December 31, 2014, which included subtracting reconciling factors to arrive at the treasury balance. We then determined the aggregate sum of all positive fund cash balances, the purpose of which the unsegregated treasury is held to meet, to determine the treasury deficit. No further calculations were necessary because the treasury balance equaled the sum of all cash balances.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Schedule I

Treasury Balance
Ohio Revised Code Section 118.03(A)(6)
As of December 31, 2014

	<u>Amounts at December 31, 2014</u>
Bank Cash Balance	
First Financial Bank	\$173,201
Less Reconciling Factors for	
Outstanding Checks	<u>(134)</u>
Total Treasury Balance	<u>173,067</u>
Positive Fund Balances	
General	75,897
Street Maintenance	51,716
State Highway	10,389
Park	5,651
Wastewater Operating	<u>29,414</u>
Total Positive Fund Balances	<u>173,067</u>
Treasury Deficiency	<u>\$0</u>

Conclusion: A fiscal emergency condition does not exist under Section 118.03(A)(6) of the Revised Code as of December 31, 2014. The treasury balance less the positive fund cash balances as of December 31, 2014, did not exceed one-sixth of the treasury receipts for the year.

Section 3 - Financial Plan Objectives

We obtained a copy of the financial plan of the Village and determined whether the objectives of the plan have been met. Those objectives identified in the financial plan include the following:

- 1) Eliminate the fiscal emergency conditions which were determined by the Auditor of State, pursuant to Section 118.04 of the Revised Code;
- 2) Balance the budgets, avoid future deficits in any fund, and maintain current payments of all accounts;
- 3) Develop an effective financial accounting and reporting system; and
- 4) Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State.

All objectives of the financial plan have been met.

Village of Morral, Marion County
Report on the Village of Morral
Fiscal Emergency Termination

Section 4 - Financial Forecast

Financial forecasting is an important management tool to assist the Village in making sound financial decisions for avoiding a fiscal crisis in the future. A five-year forecast is required under Section 118.27(A)(3)(d) of the Revised Code. After examining the financial forecast, the Auditor of State rendered a nonadverse report. The financial forecast is contained in Appendix A.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

**Village of Morral
Marion County**

Financial Forecast

For the Years Ending December 31, 2015 Through December 31, 2019

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Village of Morral, Marion County

Table of Contents

Accountants Report	A-3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis For the Years Ended December 31, 2012, through 2014, Actual; and Ending December 31, 2015, through 2019, Forecasted General Fund	A-4
Summary of Significant Accounting Policies and Forecast Assumptions.....	A-8

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Dave Yost • Auditor of State

Village Council
Village of Morral
P. O. Box 156
Morral, Ohio 43337

Based upon the requirement set forth in section 118.27(A)(3)(d) of the Ohio Revised Code, the Local Government Services Section of the Auditor of State's Office has examined the accompanying forecasted statement of revenues, expenditures, and changes in fund balance of the General Fund of the Village of Morral, for the five years ending December 31, 2019. This statement is presented on the budget basis of accounting used by the Village of Morral rather than on generally accepted accounting principles. The Village of Morral's management is responsible for the forecast. Our responsibility is to determine whether the Village has met the criteria that allows for the fiscal emergency to be terminated.

Based on our examination of the accompanying forecast, there is nothing in the forecast nor has anything come to our attention that indicates the fiscal emergency should not be terminated. However, some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, the actual results of operations during the forecast period will vary from the forecast and the variations may be material.

This report is intended solely for the use of the Village of Morral and should not be used for any other purpose. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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

Dave Yost
Auditor of State

February 9, 2015

Village of Morral, Marion County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted

General Fund

	2012 Actual	2013 Actual	2014 Actual
Revenues			
Property Taxes	\$8,950	\$8,840	\$5,190
Income Taxes	0	2,440	102,880
Intergovernmental	12,880	10,140	8,610
Special Assessments	0	0	0
Interest	0	10	20
Other Revenues	120	180	120
Total Revenues	21,950	21,610	116,820
Expenditures			
Security of Persons and Property - Police Department			
Contractual Services	0	0	0
Security of Persons and Property - Street Lighting			
Contractual Services	7,640	6,840	6,840
Total Security of Persons and Property	7,640	6,840	6,840
Public Health Services - County Health Department			
Contractual Services	1,820	1,780	1,770
Other Public Health Services			
Contractual Services	320	40	200
Total Public Health	2,140	1,820	1,970
Parks			
Personal Services	0	0	0
Contractual Services	0	0	0
Supplies and Materials	0	0	0
Total Parks	0	0	0
Community Development - Regional Planning			
Contractual Services	270	270	350
Basic Utilities - Stormwater			
Contractual Services	2,850	0	500
General Government			
Mayor			
Personal Services	1,460	2,120	1,700
Council			
Personal Services	3,840	3,990	4,260
Clerk/Treasurer			
Contractual Services	960	3,510	2,840
Supplies and Materials	70	0	0
Total Clerk/Treasurer	1,030	3,510	2,840
Lands/Buildings			
Personal Services	570	220	210
Contractual Services	4,700	3,760	3,990
Supplies and Materials	230	230	200
Total Lands/Buildings	5,500	4,210	4,400

2015 Forecasted	2016 Forecasted	2017 Forecasted	2018 Forecasted	2019 Forecasted
\$3,720	\$3,720	\$3,720	\$3,720	\$3,720
69,360	70,750	72,160	73,610	75,080
8,750	8,750	8,750	8,750	8,750
0	4,000	0	4,000	0
10	10	10	10	10
0	270	270	270	270
<u>81,840</u>	<u>87,500</u>	<u>84,910</u>	<u>90,360</u>	<u>87,830</u>
9,600	9,600	9,600	9,600	9,600
9,350	10,100	10,900	11,780	12,730
<u>18,950</u>	<u>19,700</u>	<u>20,500</u>	<u>21,380</u>	<u>22,330</u>
1,840	1,880	1,920	1,950	1,990
330	330	330	330	330
<u>2,170</u>	<u>2,210</u>	<u>2,250</u>	<u>2,280</u>	<u>2,320</u>
0	2,010	2,050	2,090	2,130
0	1,760	1,890	2,020	2,160
0	240	250	260	280
<u>0</u>	<u>4,010</u>	<u>4,190</u>	<u>4,370</u>	<u>4,570</u>
360	360	370	380	380
5,000	5,000	5,000	5,000	5,000
1,820	1,820	1,820	1,820	1,820
4,030	4,030	4,030	4,030	4,030
3,550	3,610	3,670	3,720	3,780
200	200	210	220	220
<u>3,750</u>	<u>3,810</u>	<u>3,880</u>	<u>3,940</u>	<u>4,000</u>
620	630	640	660	680
15,160	10,650	16,200	11,800	17,450
790	410	420	440	470
<u>16,570</u>	<u>11,690</u>	<u>17,260</u>	<u>12,900</u>	<u>18,600</u>

(continued)

Village of Morral, Marion County
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
For the Years Ended December 31, 2012, Through 2014, Actual
and Ending December 31, 2015, Through 2019, Forecasted
(continued)

General Fund

	2012 Actual	2013 Actual	2014 Actual
Expenditures (continued)			
General Government (continued)			
Property Tax Collection Fees			
Contractual Services	\$290	\$430	\$150
Audit Fees			
Contractual Services	6,400	0	4,670
Solicitor			
Contractual Services	0	1,530	600
Income Tax			
Contractual Services	0	30	3,070
Total General Government	18,520	15,820	21,690
Capital Outlay	0	0	0
Total Expenditures	31,420	24,750	31,350
Change in Fund Balance	(9,470)	(3,140)	85,470
Fund Balance (Deficit) Beginning of Year	3,040	(6,430)	(9,570)
Fund Balance (Deficit) End of Year	(\$6,430)	(\$9,570)	\$75,900

<u>2015</u> <u>Forecasted</u>	<u>2016</u> <u>Forecasted</u>	<u>2017</u> <u>Forecasted</u>	<u>2018</u> <u>Forecasted</u>	<u>2019</u> <u>Forecasted</u>
<u>\$500</u>	<u>\$300</u>	<u>\$520</u>	<u>\$300</u>	<u>\$540</u>
<u>0</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>	<u>0</u>
<u>1,710</u>	<u>1,800</u>	<u>1,890</u>	<u>1,990</u>	<u>2,090</u>
<u>4,160</u>	<u>4,240</u>	<u>4,330</u>	<u>4,410</u>	<u>4,510</u>
<u>32,540</u>	<u>33,690</u>	<u>33,730</u>	<u>35,390</u>	<u>35,590</u>
<u>8,000</u>	<u>47,500</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>67,020</u>	<u>112,470</u>	<u>66,040</u>	<u>68,800</u>	<u>70,190</u>
<u>14,820</u>	<u>(24,970)</u>	<u>18,870</u>	<u>21,560</u>	<u>17,640</u>
<u>75,900</u>	<u>90,720</u>	<u>65,750</u>	<u>84,620</u>	<u>106,180</u>
<u>\$90,720</u>	<u>\$65,750</u>	<u>\$84,620</u>	<u>\$106,180</u>	<u>\$123,820</u>

Village of Morral, Marion County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, Through 2019

Note 1 - The Village

The Village of Morral is located in north central Ohio in Marion County. 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. Operating as a statutory village, Morral must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor. The Village Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Mayor is the chief executive officer of the Village and serves a term of four years.

On May 14, 2013, the Auditor of State's Office declared the Village of Morral to be in a state of fiscal emergency in accordance with Section 118.03 of the Ohio Revised Code. The Village of Morral has a population of less than one thousand as of the most recent federal decennial census; therefore, in accordance with Revised Code Section 118.05(L), the Auditor of State has served as financial supervisor of the Village with all of the powers and responsibilities of a financial planning and supervision commission. The Village is required to adopt a financial recovery plan. Once adopted, the Village's discretion is limited in that all financial activity of the Village must be in accordance with the plan.

The Village of Morral provides general government services including street maintenance and repair, maintenance of state highways within the Village, street lighting, park operations, and sewer operations. The operation of each of these activities is directly controlled by the Village Council through the budgetary process. The administration includes the Mayor and the Fiscal Officer.

Note 2 - Nature of Presentation

This financial forecast presents, to the best of the Village's knowledge and belief, the expected revenues, expenditures, and changes in fund balances for the forecast period. Accordingly, the forecast reflects the Village's judgment, as of February 9, 2015, the date of the forecast, the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast presents the funds that are significant to the operations of the Village. For the Village of Morral, this consists of the General Fund.

Note 3 - Summary of Significant Accounting Policies

A. Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts, disbursements, and encumbrances, which is consistent with the budget basis of accounting (non-GAAP) used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the Village is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Village of Morral, Marion County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Village maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity that stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the operating fund of the Village and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to disbursement for specified purposes, other than for debt service or capital projects.

Debt Service Fund - The debt service fund is used to account for assessments restricted for the payment of debt.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of the budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Estimated Resources - On or about September 1, the County Budget Commission issues an official certificate of estimated resources to the Village, which states the projected receipts of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. Prior to December 31, the Village must revise its budget so that total contemplated expenditures from any funds during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year if the annual appropriations for the full year are not ready for approval by Village Council. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. By March 31, an annual appropriation ordinance must be legally enacted by the Village Council. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Village of Morral, Marion County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 3 - Summary of Significant Accounting Policies (continued)

Encumbrances - The Village uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve a portion of the applicable appropriation.

D. Property, Plant and Equipment

Capital assets acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these capital assets as the purpose of the financial statements for the governmental services is to report the expenditure of resources, not costs.

Note 4 - General Revenue Assumptions - All Funds

A. Property Taxes

Property tax revenues consist of real property, public utility real and personal property. The Village may request advances from the Marion County Auditor as the taxes are collected. When final settlements are made, any amounts remaining to be distributed to the Village are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times. The amounts shown in the revenue section of the forecast represent gross property tax revenues.

State law allows for certain reductions in the form of rollbacks and homestead exemptions for residential real estate taxes. The State reimburses the Village for all revenue lost due to these exemptions. The amount of the reimbursement is presented in the account "intergovernmental revenue".

All property tax revenues are based on property valuations and levy rates. The County is required to reappraise property every six years and update the valuations every three years between the reappraisals. The last reappraisal was completed in 2013 for taxes collected in 2014. The next triennial update will take place in 2016 for taxes collected in 2017 with the next reappraisal scheduled for 2019.

The Village's assessed values upon which property tax receipts were based for the last four years are as follows:

Class of Property	Collection Year			
	2011	2012	2013	2014
Real Property				
Residential and Agriculture	\$4,212,710	\$4,190,390	\$4,220,860	\$4,217,680
Commercial and Industrial	1,045,860	1,049,730	1,028,820	1,062,690
Public Utility Property				
Personal	204,820	210,750	223,460	233,370
Total Assessed Value	<u>\$5,463,390</u>	<u>\$5,450,870</u>	<u>\$5,473,140</u>	<u>\$5,513,740</u>

Property tax revenues are generated from the inside millage receipted into the General Fund, as well as from voted levies for park services receipted in the Park Fund.

Village of Morral, Marion County
 Summary of Significant Accounting Policies and Forecast Assumptions
 For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

The levies being collected by fund, the year approved, and the full tax rate are as follows:

Levy Type	Fund	Original Year Approved	Latest Year Renewed	First Year of Collection	Last Year of Collection	Total Rate (Per \$1,000 of Assessed Valuation)
Inside Millage	General	n/a	n/a	n/a	n/a	\$1.00
Operating	Park	1995	2009	2011	2015	.50
Total						<u>\$1.50</u>

For the forecast period, the operating levy is not expected to be renewed when it expires.

Public utility real taxes are collected and settled by the County with real estate taxes and are recorded as general property taxes. Beginning in 2001, the Ohio General Assembly reduced the assessment rate for certain tangible personal property of electric and gas utilities from 88 percent to 25 percent. Starting in tax year 2005, the assessment rate for personal property owned by telephone utilities prior to 1995 was being phased down from 88 percent to 25 percent (in tax year 2007) over a three-year period. Beginning in 2007, House Bill 66 switched telephone companies from being public utilities to general business taxpayers and began a four-year phase out of the tangible personal property tax on local and inter-exchange telephone companies.

Real Property - Real property taxes decreased in 2014 due to the expiration of an operating levy in the General Fund. The last year of collection on this levy was 2013. However, there was a significant collection of delinquent taxes in 2014. No change in real property taxes is expected over the five year forecasted period as there is no growth anticipated in the Village. The operating levy in the Park Fund will expire as of December 31, 2015, and will not be renewed.

B. Municipal Income Taxes

The Village levies a municipal income tax of one percent on all income earned within the Village as well as on income of residents earned outside the Village. The Village does not allow a credit for income taxes paid to another municipality. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a final return annually.

The Village implemented the income tax on June 27, 2013, and collection began on October 1, 2013.

All income tax revenue is credited to the General Fund and used to pay the cost of administering the tax and for general governmental operations. Income tax revenues are expected to increase approximately 2 percent each year based on an increase in business and individual earnings. Due to geographic limitations, no growth is expected in the Village. The actual income tax revenue reported in 2014 represents the collection of income taxes for both 2013 and 2014 from the Village's largest employer.

Village of Morral, Marion County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 4 - General Revenue Assumptions - All Funds (continued)

C. Intergovernmental Revenues

Intergovernmental revenues include local government monies and property tax allocations for rollback, homestead, and tangible personal property loss reimbursements. The local government funds are distributed monthly by the State to the Village and by the County Auditor to the Village. The property tax allocations for rollback, homestead, and tangible personal property are received from the State and are based on information provided by the County Auditor.

Until calendar year 2011, local governments were reimbursed in full by the State for their levy losses related to the phase out of business personal property tax and the reduction of assessment rates on personal property for electric and natural gas companies.

In 2011, House Bill 153 modified the schedule for making those reimbursements by accelerating the previous mandated phase out.

In 2012, House Bill 508 went into effect. It provided technical changes to the formula used to calculate fixed rate losses pertaining to utility personal property tax and business personal property tax expense levies. In addition, beginning in 2012, the amount to be reimbursed to a local government for fixed sum levies was reduced from 100 percent to 50 percent.

Since 1971, the State has reimbursed local governments for lost tax revenue related to State mandated rollback and homestead exemptions. House Bill 59 signed in 2013 effected these reductions. The new law indicates that the 10 percent and 2.5 percent rollbacks will no longer apply to new levies that are enacted after August 31, 2013. In addition, House Bill 59 adjusted the homestead exemption and it will now be a means tested provision only available to those otherwise eligible taxpayers with household incomes that do not exceed \$30,000. These changes reduce reimbursements from the State and increase real property tax revenue.

Section 503.12(B) of House Bill 66 established a Task Force to study potential sources of State funding for the local government and the local government revenue assistance programs that have the capacity for growth and stability in the funding levels and that considers the changes to the Ohio tax code. In December 2006, the Task Force submitted a report to the Governor and to the General Assembly setting forth its recommendations. The State Budget bill for fiscal years 2008 and 2009 replaced the percentage of tax methodology with a percentage of tax receipts formula. In general, the formula proposes that the three local government funds at the State level receive a percentage of the general revenue fund tax receipts in total collected by the State. In 2011, House Bill 153 made reductions in the local government funding for fiscal years 2012 and 2013. These reductions were approximately 25 percent and 50 percent less than 2011 funding amounts for 2012 and 2013, respectively. No increases are projected for future years.

The decrease in intergovernmental revenue from 2013 to 2014 represents the expiration of the General Fund operating levy discussed previously.

Village of Morral, Marion County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 5 - General Fund Revenue Assumptions

A. Special Assessments - The Village will assess property owners in 2016 and 2018 for sidewalk improvements.

B. Interest - Interest receipts are very modest due to a small fund balance and low interest rates.

C. Other - The Village receives reimbursement from the softball association for electricity and water testing. For 2015 only, this amount will be recorded in the Park Fund.

Note 6 - General Expenditure Assumptions - All Funds

A. Personal Services

Personal services consist of salaries paid to the elected officials of the Village and three part-time employees. The Mayor, Village Council, Clerk Treasurer, and the part-time employees are paid monthly. The Village does not provide any other form of compensation, such as paid leave. Personal services also includes all salary related costs such as pension contributions, Medicare, and workers' compensation.

The Village Council consists of six members with an annual salary of \$600. Village Council is paid from the General Fund.

The Mayor's annual salary is \$1,500 and is paid from the General Fund.

A 2 percent increase in salaries is expected throughout the forecast period for the part-time employees. In addition, the Village is increasing the number of hours to be worked in 2015.

Benefits include employer contributions to the State pension system, workers' compensation, social security, and Medicare. The Village does not provide health care or any other insurance benefits.

The Mayor and several members of Village Council participate in the Ohio Public Employees Retirement System (OPERS). OPERS provides basic retirement, disability, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. Employees are required to contribute 10 percent of their annual salary and the Village is required to contribute 14 percent of their annual salary. Several council members pay into Social Security.

All elected officials and part-time employees are required to pay into Medicare. The Medicare contribution is 1.45 percent of their annual salary.

Workers' compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. A slight increase is expected annually.

B. Contractual Services

Contractual services include property and liability insurance, utility charges (telephone, internet, electricity, water, and sewer), postage, printing, advertising, professional dues, legal fees, auditor and treasurer fees, and accounting and auditing services.

Village of Morral, Marion County
Summary of Significant Accounting Policies and Forecast Assumptions
For the Years Ending December 31, 2015, through 2019

Note 6 - General Expenditure Assumptions - All Funds (continued)

Beginning in 2015, the Village anticipates entering into a contract with the County Sheriff for additional patrol hours within the Village.

The Village contracts for the services of the Fiscal Officer. In 2012, the Fiscal Officer chose to not take any payment for services for a portion of the year due to the financial condition of the Village.

For 2015 through 2019, property and liability insurance is anticipated to increase approximately 10 percent annually based upon historical trend.

Increases in electric utility costs are projected to increase 8 percent based upon historical trends.

Audit costs are forecasted every other year as reflected in Audit Fees contractual services expenditures. Election costs are also forecasted every other year as reflected in the Property Tax Collection Fees contractual services expenditures.

The Village has forecasted to begin various stormwater repairs and sidewalk replacement beginning in 2015 through 2019. These costs are reflected in the lands and buildings department.

The Village only had the services of a solicitor for a portion of the year for 2014.

Income tax collection and administration fees with the Regional Income Tax Agency are based on a percentage of income tax collections.

C. Supplies and Materials

Supplies and materials expenditures include office supplies, operating supplies (salt and gasoline), and repair and maintenance costs. Supplies and materials are anticipated to increase approximately 3 percent per year based upon historical trends. The Village also anticipates the purchase of Christmas decorations in 2015.

D. Capital Outlay

In 2015, the Village plans to purchase a mower, in the amount of \$8,000. In 2016, the Village plans to purchase a tractor, in the amount of \$47,500.

Note 7 - Other Funds

The Village has several other funds that account for resources that are restricted for specific purposes. These funds are anticipated to have sufficient resources to meet their obligations during the forecasted period.

Note 8 - Pending Litigation

The Village currently has no pending litigation.



Dave Yost • 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
MARCH 26, 2015**