



Dave Yost • Auditor of State



# OHIO AUDITOR OF STATE **KEITH FABER**



January 15, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

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**VILLAGE OF MURRAY CITY  
HOCKING COUNTY  
DECEMBER 31, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Murray City  
Hocking County  
P.O. Box 241  
Murray City, Ohio 43144

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Murray City, Hocking County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 28, 2018

**Village of Murray City, Ohio**  
*Hocking County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$26,730	\$14,377	\$41,107
Intergovernmental	20,435	41,650	62,085
Charges for Services	0	12,000	12,000
Fines, Licenses and Permits	610	0	610
Earnings on Investments	75	25	100
Miscellaneous	9,089	4	9,093
<i>Total Cash Receipts</i>	<u>56,939</u>	<u>68,056</u>	<u>124,995</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	7,046	22,198	29,244
Leisure Time Activities	0	4,440	4,440
Transportation	0	31,758	31,758
General Government	42,642	177	42,819
Debt Service:			
Principal Retirement	0	5,835	5,835
Interest and Fiscal Charges	0	515	515
<i>Total Cash Disbursements</i>	<u>49,688</u>	<u>64,923</u>	<u>114,611</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,251</u>	<u>3,133</u>	<u>10,384</u>
<i>Net Change in Fund Cash Balances</i>	7,251	3,133	10,384
<i>Fund Cash Balances, January 1</i>	<u>1,596</u>	<u>26,572</u>	<u>28,168</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	29,705	29,705
Assigned	8,847	0	8,847
<i>Fund Cash Balances, December 31</i>	<u>\$8,847</u>	<u>\$29,705</u>	<u>\$38,552</u>

*See accompanying notes to the basic financial statements.*

**Village of Murray City, Ohio***Hocking County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2017*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts</b>			
Charges for Services	\$88,433	\$0	\$88,433
<i>Total Operating Cash Receipts</i>	<u>88,433</u>	<u>0</u>	<u>88,433</u>
<b>Operating Cash Disbursements</b>			
Personal Services	11,520	0	11,520
Employee Fringe Benefits	1,028	0	1,028
Contractual Services	51,791	0	51,791
Supplies and Materials	9,926	0	9,926
<i>Total Operating Cash Disbursements</i>	<u>74,265</u>	<u>0</u>	<u>74,265</u>
<i>Operating Income (Loss)</i>	<u>14,168</u>	<u>0</u>	<u>14,168</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Principal Retirement	(18,775)	0	(18,775)
Other Financing Sources	0	1,395	1,395
Other Financing Uses	0	(1,480)	(1,480)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(18,775)</u>	<u>(85)</u>	<u>(18,860)</u>
<i>Income (Loss) before Capital Contributions</i>	<u>(4,607)</u>	<u>(85)</u>	<u>(4,692)</u>
Capital Contributions	26,708	0	26,708
<i>Net Change in Fund Cash Balances</i>	<u>22,101</u>	<u>(85)</u>	<u>22,016</u>
<i>Fund Cash Balances, January 1</i>	<u>35,384</u>	<u>119</u>	<u>35,503</u>
<i>Fund Cash Balances, December 31</i>	<u>\$57,485</u>	<u>\$34</u>	<u>\$57,519</u>

*See accompanying notes to the basic financial statements.*

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Murray City (the Village), Hocking County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police 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 Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

***Fire Levy Fund*** This fund receives fire levy monies to provide fire protection.

***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:

***Water Fund*** The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

***Fiduciary 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.

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

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 the financial activity of the Mayor's Court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 4.

***Deposits***

The Village's invests all available funds in interest bearing checking accounts. Interest earned is recognized and recorded when received.

***Capital Assets***

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

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the State Fire Marshall Grant, Sewer Planning, and Water Debt Funds by \$4,440, \$9,214, and \$6,281, respectively, for the year ended December 31, 2017. Also, contrary to Ohio law, appropriations exceeded estimated resources in the Water Improvement Fund by \$6,000 at December 31, 2017.

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,000	\$56,939	\$9,939
Special Revenue	64,965	68,056	3,091
Enterprise	119,540	115,141	(4,399)
Total	\$231,505	\$240,136	\$8,631

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,755	\$49,816	\$8,939
Special Revenue	80,665	64,972	15,693
Enterprise	137,085	106,435	30,650
Total	\$276,505	\$221,223	\$55,282

**Note 5 – Deposits**

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

	2017
Demand deposits	\$96,071

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Taxes**

***Property Taxes***

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.

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

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 - Risk Management**

*Commercial Insurance*

The Village has obtained commercial insurance for the following risks:

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

**Note 8 - Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

Some 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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

*Social Security*

Some village elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$2,435	4.0%
Fire Department UTV Loan	4,685	5.0%
Ohio Water Development Authority Loan- Water	402,976	0%
Total	\$410,096	

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) Water System Renovation and Design loan relates to a water system renovation project approved in 2009. The OWDA approved a total project cost of \$1,190,621, including \$665,000 in principal forgiveness using ARRA grant funding. The Village will repay the loan in semiannual installments of \$8,760 over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village obtained a loan from the First National Bank to purchase a fire truck in 2014. The loan will be repaid in semiannual installments of \$2,300, including interest, through April 2018. This loan is uncollateralized.

The Village obtained a loan from Citizens Bank in 2016 to purchase a Utility Vehicle for the Fire Department.

***Amortization***

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

Year Ending December 31:	Utility Vehicle	Fire Truck	OWDA Loan- Water
2018	\$4,860	\$2,483	\$17,521
2019	0	0	17,521
2020	0	0	17,521
2021	0	0	17,521
2022	0	0	17,521
2023-2027	0	0	87,604
2028-2032	0	0	87,604
2033-2037	0	0	87,604
2038-2040	0	0	52,559
Total	\$4,860	\$2,483	\$402,976

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

**Note 11 – Related Party Transactions**

The Village approved a payment plan for the water bill for a certain Council member's son on January 2, 2017.

**Village of Murray City, Ohio**  
*Hocking County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$28,907	\$12,843	\$41,750
Intergovernmental	21,095	75,615	96,710
Charges for Services	0	14,500	14,500
Fines, Licenses and Permits	4,555	0	4,555
Earnings on Investments	65	22	87
Miscellaneous	5,388	548	5,936
<i>Total Cash Receipts</i>	<u>60,010</u>	<u>103,528</u>	<u>163,538</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	8,260	44,321	52,581
Transportation	0	45,925	45,925
General Government	51,159	525	51,684
Capital Outlay	0	17,899	17,899
Debt Service:			
Principal Retirement	0	15,924	15,924
Interest and Fiscal Charges	0	749	749
<i>Total Cash Disbursements</i>	<u>59,419</u>	<u>125,343</u>	<u>184,762</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>591</u>	<u>(21,815)</u>	<u>(21,224)</u>
<b>Other Financing Receipts</b>			
Other Debt Proceeds	0	17,899	17,899
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>17,899</u>	<u>17,899</u>
<i>Net Change in Fund Cash Balances</i>	591	(3,916)	(3,325)
<i>Fund Cash Balances, January 1</i>	<u>1,005</u>	<u>30,488</u>	<u>31,493</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	26,572	26,572
Assigned	1,596	0	1,596
<i>Fund Cash Balances, December 31</i>	<u>\$1,596</u>	<u>\$26,572</u>	<u>\$28,168</u>

*See accompanying notes to the basic financial statements.*

**Village of Murray City, Ohio**  
*Hocking County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary and Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts</b>			
Charges for Services	\$86,567	\$0	\$86,567
<i>Total Operating Cash Receipts</i>	<u>86,567</u>	<u>0</u>	<u>86,567</u>
<b>Operating Cash Disbursements</b>			
Personal Services	11,733	0	11,733
Employee Fringe Benefits	1,537	0	1,537
Contractual Services	63,051	0	63,051
Supplies and Materials	8,500	0	8,500
<i>Total Operating Cash Disbursements</i>	<u>84,821</u>	<u>0</u>	<u>84,821</u>
<i>Operating Income (Loss)</i>	<u>1,746</u>	<u>0</u>	<u>1,746</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Other Debt Proceeds	5,222	0	5,222
Capital Outlay	(419)	0	(419)
Principal Retirement	(35,149)	0	(35,149)
Other Financing Sources	0	4,218	4,218
Other Financing Uses	0	(4,182)	(4,182)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(30,346)</u>	<u>36</u>	<u>(30,310)</u>
<i>Income (Loss) before Capital Contributions</i>	(28,600)	36	(28,564)
Capital Contributions	25,186	0	25,186
<i>Net Change in Fund Cash Balances</i>	(3,414)	36	(3,378)
<i>Fund Cash Balances, January 1</i>	<u>38,798</u>	<u>83</u>	<u>38,881</u>
<i>Fund Cash Balances, December 31</i>	<u>\$35,384</u>	<u>\$119</u>	<u>\$35,503</u>

*See accompanying notes to the basic financial statements.*

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 - Reporting Entity**

The Village of Murray City (the Village), Hocking County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police 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 Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

***Fire Levy Fund*** This fund receives fire levy monies to provide fire protection.

***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:

***Water Fund*** This fund receives charges for services from residents to cover water service costs.

***Fiduciary 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.

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

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 the financial activity of the Mayor's Court.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

***Budgetary Process***

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

***Appropriations*** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

***Encumbrances*** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

***Deposits***

The Village's invests all available funds in interest bearing checking accounts. Interest earned is recognized and recorded when received.

***Capital Assets***

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

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

***Nonspendable*** The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***Restricted*** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

***Committed*** Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General, Street Construction, Maintenance, and Repair, State Grant- FD MARCS 2016, Fire Levy, ODNR- UTV Grant, Sewer Planning, and Water Debt Funds by \$14,166, \$30,255, \$36,290, \$22,087, \$10,000, \$8,689, and \$11,780, respectively, for the year ended December 31, 2016.

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,995	\$60,010	\$13,015
Special Revenue	53,718	121,427	67,709
Enterprise	112,874	116,975	4,101
Total	\$213,587	\$298,412	\$84,825

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,380	\$59,546	(\$14,166)
Special Revenue	30,174	126,866	(96,692)
Enterprise	118,676	129,194	(10,518)
Total	\$194,230	\$315,606	(\$121,376)

**Note 5 – Deposits**

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

	2016
Demand deposits	\$63,671

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 6 – Taxes**

***Property Taxes***

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.

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

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management**

***Commercial Insurance***

The Village has obtained commercial insurance for the following risks:

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

**Note 8 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Some 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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

***Social Security***

Some Village elected officials contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016

**Note 9 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Fire Truck Loan	\$6,806	4.0%
Fire Department UTV Loan	6,119	5.5%
Ohio Water Development Authority Loan- Water	420,496	0%
Ohio Water Development Authority Loan- Planning	1,255	0%
Total	\$434,676	

**Village of Murray City, Ohio**  
*Hocking County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) Water System Renovation and Design loan relates to a water system renovation project approved in 2009. The OWDA approved a total project cost of \$1,190,621, including \$665,000 in principal forgiveness using ARRA grant funding. The Village will repay the loan in semiannual installments of \$8,760 over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Waste Water Planning loan relates to a waste water project approved in 2013. OWDA approved a total project cost of \$30,000. The Village will repay the loan in semiannual installments of \$3,000 over 5 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule is available for its repayment.

The Village obtained a loan from the First National Bank to purchase a fire truck in 2014. The loan will be repaid in semiannual installments of \$2,300, including interest, through April 2018. This loan is uncollateralized.

The Village obtained a loan from Citizens Bank in 2016 to purchase a Utility Vehicle for the Fire Department.

***Amortization***

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

Year Ending December 31:	Utility Vehicle	Fire Truck	OWDA Loan- Water
2017	\$4,999	\$4,600	\$17,521
2018	2494	2,483	17,521
2019	0	0	17,521
2020	0	0	17,521
2021	0	0	17,521
2022-2026	0	0	87,604
2027-2031	0	0	87,604
2032-2036	0	0	87,604
2037-2040	0	0	70,079
Total	<u>\$7,493</u>	<u>\$7,083</u>	<u>\$420,496</u>

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.



# Dave Yost • Auditor of State

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

Village of Murray City  
Hocking County  
P.O. Box 241  
Murray City, Ohio 43144

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated December 28, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2017-006 through 2017-008 to be material weaknesses.

***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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2017-001 through 2017-005.

***Village's Responses to Findings***

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 28, 2018

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Noncompliance/Finding for Recovery- Repaid Under Audit**

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

As the Village’s fiscal officer, Bridget Wolfe was responsible for preparing, issuing and reconciling Village disbursements. Ms. Wolfe also had the ability to create and sign checks. Village council authorized compensation for Ms. Wolfe totaled \$4,200. Ms. Wolfe received \$10,300 during the Period, for a total of \$6,100 in excess of Council authorized amounts. This amount was traced to 15 unauthorized checks made payable to Ms. Wolfe and deposited into her personal account.

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public property converted or misappropriated is hereby issued in the amount of \$6,100 against Bridget Wolfe in favor of the Village of Murray City.

On January 17, 2017, Ms. Wolfe repaid the full amount owed for the finding for recovery. These monies were deposited into the Village’s bank account on January 18, 2017.

**Officials Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-002**

**Noncompliance**

Ohio Rev. Code § 2949.091 requires the court, in which any person is convicted of or pleads guilty to any offense to impose on the following sums as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender:

- Thirty dollars if the offense is a felony;
- Twenty dollars if the offense is a misdemeanor other than a traffic offense that is not a moving violations; or
- Ten dollars if the offense is a traffic offense that is not a moving violation, excluding parking violations.

All such moneys collected during the month shall be transmitted on or before the twentieth of the following month by the clerk of the courts to the Treasurer of State.

The Village did not remit the amounts due to the State for March and April 2016 until November 22, 2017. In addition, collections of \$260 was due to the State for June and July 2016 but was remitted to the Village instead of the State.

Further, no ledger showing the breakdown of the fine to the State was completed for 2017 to determine the amount due to the State and none was remitted to the State for 2017.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-002 (Continued)**

**Noncompliance - Ohio Rev. Code § 2949.091 (Continued)**

The Village should maintain a ledger showing the amount from each payment due to the State monthly. Further, the Village should remit the State portion of Mayor's Court fines and fees collected to the State on or before the twentieth day of the following month and submit all reports as required timely.

**Officials Response:** The Village has hired two individuals with prior experience as mayor's clerks. In addition, the Village will soon be purchasing court operations software to enable more complete record keeping and reporting.

**FINDING NUMBER 2017-003**

**Noncompliance**

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimate resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended certificate.

Appropriations exceeded estimated resources as at December 31, 2017 in the Water Improvement Fund by \$6,000.

Failure to limit appropriations to the amount of estimated resources could result in overspending and negative fund balances.

The Fiscal Officer should monitor the approved appropriations to ensure they do not exceed the estimated resources on the amended certificates.

**Officials' Response:** The Fiscal Officer will be required to monitor appropriations in order to comply with Ohio Revised Code Section 5705.39

**FINDING NUMBER 2017-004**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2017, disbursements exceeded appropriations in the following funds:

	Appropriation Authority	Budgetary Expenditures	Variance
State Fire Marshall Grant Fund	\$0	\$4,440	(\$4,440)
Sewer Planning Fund	(7,960)	1,254	(9,214)
Water Debt Fund	20,000	26,281	(6,281)

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-004**

**Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)**

At December 31, 2016, disbursements exceeded appropriations in the following funds:

	Appropriation Authority	Budgetary Expenditures	Variance
State Grant- FD MARCS 2016 Fund	\$0	\$36,290	(\$36,290)
Fire Levy Fund	10,700	32,787	(22,087)
ODNR- UTV Grant Fund	0	10,000	(10,000)
Sewer Planning Fund	9,700	18,389	(8,689)
Water Debt Fund	17,500	29,280	(11,780)

This practice can lead to overspending and negative fund balances.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**Officials' Response:** The Fiscal Officer will report to Village Council and request amendments to appropriations Resolution when required.

**FINDING NUMBER 2017-005**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) states, in part, that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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. Every such contract made without such a certificate shall be void and no warrants shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement states above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blank certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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

The Village had unrecorded encumbrances of \$15,840 and \$18,877 at December 31, 2017 and 2016, respectively, in various funds. Also, one hundred percent and sixty-seven percent of transactions tested for December 31, 2017 and 2016, respectively, were not certified by the Village Fiscal Officer at the time the commitment was incurred. In addition, there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative fund balances.

Furthermore, the Village used "blanket" certificates in which Village Council did not have a resolution adopted to establish a maximum amount.

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

The Village officials should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to the purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. In addition, Village Council should adopt a resolution to establish a maximum amount for “blanket” certificates.

**Officials' Response:** The Fiscal Officer will request that Village Council adopt a resolution to establish blanket certificate maximums and will create purchase orders so that certificate of the amounts needed for expenditures.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-006**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

The financial statements had the following errors that required audit adjustment or reclassification:

In 2016:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$5,142;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts and transportation disbursements of \$6,000 were unrecorded;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts of \$3,187 were incorrectly posted as General Fund intergovernmental receipts;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts of \$442 were incorrectly posted as State Highway Fund intergovernmental receipts;
- State Highway Fund intergovernmental receipts of \$258 were incorrectly posted as General Fund intergovernmental receipts;
- Fire Levy Fund loan proceeds and capital outlay disbursements of \$17,899 were unrecorded;
- Fire Levy Fund security of persons and property disbursements of \$1,929 were incorrectly posted as principal retirement disbursements;
- Fire Levy Fund principal retirement and interest disbursements of \$2,201 and \$99, respectively, were incorrectly posted as Street Construction, Maintenance, and Repair Fund transportation disbursements;
- Fire Levy Fund principal retirement and interest disbursements of \$1,780 and \$153, respectively, were incorrectly posted as Street Construction, Maintenance, and Repair Fund principal retirement and interest disbursements of \$1,780 and \$153, respectively;
- Fire Levy Fund charges for services receipts in the amount of \$4,000 was incorrectly posted to the General Fund as Intergovernmental receipts;
- ODNT UTV Grant Fund principal retirement and interest disbursements of \$9,903 and \$93, respectively, were incorrectly posted as security of persons and property disbursements;
- Water Debt Fund had \$8,760 of unrecorded encumbrances;
- Mayor's Court Fund other financing sources of \$4,218 were unrecorded; and
- Mayor's Court Fund other financing uses of \$4,182 were unrecorded.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**  
**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-006 (Continued)**

**Material Weakness (Continued)**

In 2017:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Village improperly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$8,847;
- General Fund intergovernmental receipts of \$5,780 were incorrectly posted as taxes receipts;
- Fire Equipment Grant Fund security of persons and property disbursements of \$10,000 were incorrectly posted as other financing uses;
- Street Construction, Maintenance, and Repair Fund intergovernmental receipts and transportation disbursements of \$3,960 were unrecorded;
- Fire Levy Fund principal retirement and interest disbursements of \$763 and \$151, respectively, were incorrectly posted as Street Construction, Maintenance, and Repair Fund principal retirement and interest disbursements of \$763 and \$151, respectively;
- Water Operating Fund and Water Debt Fund had \$4,635 and \$8,760, respectively, in unrecorded encumbrances;
- Water Debt Fund capital contribution receipts of \$12,750 were incorrectly posted as other debt proceeds;
- Mayor's Court Fund other financing sources and other financing uses of \$494 and \$666, respectively, were unrecorded;
- Mayor's Court Fund other financing sources and other financing uses of \$901 and \$814, respectively, were incorrectly posted as fines, licenses, and permits receipts and other disbursements, respectively.

The audited financial statements and the Village's UAN accounting system have been adjusted for the errors noted above.

The Fiscal Officer should review the Village handbook for guidance to ensure the financial statements are complete and accurate. The Fiscal Officer should also review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements [see GASB Cod. 1800.165].

**Officials' Response:** The Fiscal Officer will prepare correct financial statements.

**FINDING NUMBER 2017-007**

**Material Weakness**

In our audit engagement letter, as required by AU-C § 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-007 (Continued)**

**Material Weakness (Continued)**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Entity and the appropriation ledger provides the process by which the Entity controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Entity and the receipts ledger provides the process by which the Entity controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to UAN for the following funds:

	<u>UAN System</u>	<u>Approved</u>	<u>Variance</u>
General	\$61,495	\$46,995	(\$14,500)
State Grant- FD MARCS 2016	72,580	0	(72,580)
Fire Levy	10,726	24,226	13,500
UTV Grant	10,000	0	(10,000)
Sewer Planning	23,148	7,033	(16,115)

At December 31, 2017, approved appropriations did not agree to UAN as follows:

	<u>UAN System</u>	<u>Approved</u>	<u>Variance</u>
Water Operating Fund	\$85,065	\$104,000	\$18,935
Sewer Planning Fund	1,861	(7,960)	(9,821)
Water Improvement Fund	15,000	21,000	6,000
Water Debt Fund	17,520	20,000	2,480

At December 31, 2016, approved appropriations did not agree to UAN as follows:

	<u>UAN System</u>	<u>Approved</u>	<u>Variance</u>
General Fund	\$61,235	\$45,160	(\$16,075)
Street Construction, Maintenance, Repair	56,101	17,474	(38,627)
State Grant- FD MARCS 2016	36,290	0	(36,290)
UTV Grant	10,000	0	(10,000)
Water Operating	98,119	91,351	(6,768)
Sewer Planning	21,329	9,700	(11,629)
Water Debt	20,521	17,500	(3,021)

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-007**

**Material Weakness (Continued)**

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) were not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Fiscal Officer should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Fiscal Officer and Council should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**Officials' Response:** The amounts included on the Certificate of Estimated Resources and on the Appropriation Ordinances will be posted to the Uniform Accounting Network (UAN) system.

**FINDING NUMBER 2017-008**

**Material Weakness**

The Village operates a Mayor's Court for tickets issued in the Village. The Village should maintain all tickets, a complete docket, and payment listing for each case. The Village should also maintain the current fine/fee schedule to recalculate any case to ensure the amount charged was correct.

During testing for 2017, the case file could not be located for 33% of items tested. Therefore, we were unable to determine if the amount charged agreed to the Village's fine/fee schedule. Further, for 66% of cases tested, we were unable to determine if the proper fee was charged due to the fine/fee schedule not being on file for those particular offenses.

The Mayor should maintain all case files and the fine/fee schedule.

**Officials' Response:** The Village has taken steps to correct all procedures and practices of the Mayor's Court.

**VILLAGE OF MURRAY CITY  
HOCKING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 9.38 – not depositing money timely	Partially Corrected	
2015-002	Ohio Rev. Code § 5705.10(I) for deficit fund balances	Fully Corrected	
2015-003	Ohio Rev. Code § 5705.39 appropriations exceeded estimated resources	Not Corrected	
2015-004	Ohio Rev. Code § 5705.41(B) disbursements exceeded appropriations	Not Corrected	
2015-005	Ohio Rev. Code § 5705.41(D) not properly certifying funds prior to commitment	Not Corrected	
2013-006	Ohio Admin. Code § 117-2-02(A) for incorrectly posting receipts and disbursements	Not Corrected	
2013-007	Ohio Admin. Code § 117-2-02 (C)(1) approved estimated receipts and appropriations did not agree to amounts in UAN	Not Corrected	

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 15, 2019**