

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Marshallville
7 North Main Street
P. O. Box 169
Marshallville, Ohio 44645

We have reviewed the *Report of Independent Accountants* of the Village of Marshallville, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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Mary Taylor, CPA
Auditor of State

May 16, 2008

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VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Audit Report
For the years ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Marshallville
Wayne County
7 North Main Street
P.O. Box 169
Marshallville, Ohio 44645

To the Village Council:

We have audited the accompanying financial statements of the Village of Marshallville (the Village), as of and for the years ended December 31, 2006 & 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to format its financial statement presentation and make other changes effective for the years ended December 31, 2006 & 2005. Instead of combined funds, the accompanying financial statement present for 2006 and 2005, the revisions requires presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has decided not to reformat their statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply that the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 & 2005 do not present fairly, in conformity with the accounting principles generally accepted in the United States of America, the financial position of the Village as December 31, 2006 & 2005, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Marshallville, Wayne County, as of December 31, 2006 & 2005, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 & 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2007 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, grant agreements and other matters. While we did not opine on the internal controls over financial reporting or on the compliance, that the report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
October 11, 2007

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006

	Governmental Fund Types		(Memorandum Only) Total
	General	Special Revenue	
Cash Receipts:			
Property Taxes and Other Local Taxes	\$ 54,441	\$ 50,833	\$ 105,274
Intergovernmental Receipts	435	61,665	62,100
Charges for Services	3,068	31,893	34,961
Fines, Licenses, and Permits	10,478	-	10,478
Earnings on Investments	-	3,510	3,510
Miscellaneous	18,881	1,850	20,731
Total Cash Receipts	87,303	149,751	237,054
Cash Disbursements:			
Current:			
Security of Persons and Property	64,493	45,048	109,541
Public Health Services	6,425	-	6,425
Leisure Time Activities	15,368	-	15,368
Transportation	685	50,559	51,244
General Government	54,519	-	54,519
Capital Outlay	-	587	587
Total Cash Disbursements	141,490	96,194	237,684
Excess of Receipts Over/(Under) Disbursements	(54,187)	53,557	(630)
Other Financing Sources/(Uses):			
Transfers-In	87,625	25,522	113,147
Transfers-Out	(3,000)	(110,147)	(113,147)
Other Financing Uses	(14,604)	(797)	(15,401)
Total Other Financing Sources/(Uses)	70,021	(85,422)	(15,401)
Excess of Cash Receipts and Other Sources Over/Under Cash Disbursements and Other Financing Sources	15,834	(31,865)	(16,031)
Fund Cash Balance, January 1, 2006 - (Restated)	46,475	241,096	287,571
Fund Cash Balance, December 31, 2006	\$ 62,309	\$ 209,231	\$ 271,540

See Accompanying Notes to the Financial Statements

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2005

	Governmental Fund Types		Fiduciary	(Memorandum)
	General	Special Revenue	Fund Types Expendable Trust	Only) Total
Cash Receipts:				
Property Taxes and Other Local Taxes	\$ 56,889	\$ 52,421	-	\$ 109,310
Intergovernmental Receipts	-	27,469	-	27,469
Charges for Services	2,803	37,335	-	40,138
Fines, Licenses, and Permits	17,050	-	-	17,050
Earnings on Investments	-	1,867	-	1,867
Donations	-	-	\$ 55,000	55,000
Miscellaneous	50,284	-	-	50,284
Total Cash Receipts	127,026	119,092	55,000	301,118
Cash Disbursements:				
Current:				
Security of Persons and Property	70,982	23,053	-	94,035
Public Health Services	1,035	-	-	1,035
Leisure Time Activities	11,607	-	-	11,607
Basic Utility Services	734	-	-	734
Transportation	1,586	102,379	-	103,965
General Government	87,076	-	-	87,076
Capital Outlay	-	-	164,115	164,115
Total Cash Disbursements	173,020	125,432	164,115	462,567
Excess of Receipts Over/(Under) Disbursements	(45,994)	(6,340)	(109,115)	(161,449)
Other Financing Sources/(Uses):				
Transfers-In	-	49,367	41,000	90,367
Transfers-Out	(50,000)	(46,367)	-	(96,367)
Other Financing Uses	(10,830)	-	-	(10,830)
Total Other Financing Sources/(Uses)	(60,830)	3,000	41,000	(16,830)
Excess of Cash Receipts and Other Sources Over/(Under) Cash Disbursements and Other Financing Sources	(106,824)	(3,340)	(68,115)	(178,279)
Fund Cash Balance, January 1, 2005	153,299	190,507	122,044	465,850
Fund Cash Balance, December 31, 2005	\$ 46,475	\$ 187,167	\$ 53,929	\$ 287,571

See Accompanying Notes to the Financial Statements

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts:			
Charges for Services	\$ 921,416	-	\$ 921,416
Miscellaneous	17,342	-	17,342
Total Operating Receipts	938,758	-	938,758
Operating Disbursements:			
Personal Services	160,438	-	160,438
Transportation	3,919	-	3,919
Contractual Services	127,320	-	127,320
Materials and Supplies	525,954	-	525,954
Capital Outlay	417,583	-	417,583
Total Operating Disbursements	1,235,214	-	1,235,214
Excess Operating Receipts Over/(Under) Operating Disbursements	(296,456)	-	(296,456)
Non-Operating Receipts/(Disbursements):			
Fines and Forfeitures	-	\$ 12,944	12,944
Proceeds of Loan	270,000	-	270,000
Proceeds of O.W.D.A. Loan	66,010	-	66,010
Other Financing Sources	7,475	-	7,475
Other Financing Uses	(6,609)	-	(6,609)
Distribution of Fines	-	(12,944)	(12,944)
Debt Service:			
Retirement of Principal	(43,568)	-	(43,568)
Interest and Fiscal Charges	(21,496)	-	(21,496)
Total Non-Operating Disbursements	271,812	-	271,812
Excess of Receipts Over/(Under) Disbursements	(24,644)	-	(24,644)
Fund Cash Balance, January 1, 2006	427,389	-	427,389
Fund Cash Balance, December 31, 2006	\$ 402,745	\$ -	\$ 402,745

See Accompanying Notes to the Financial Statements

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Receipts:			
Charges for Services	\$ 878,089	-	\$ 878,089
Miscellaneous	5,784	-	5,784
Total Operating Receipts	883,873	-	883,873
Operating Disbursements:			
Personal Services	150,993	-	150,993
Transportation	5,349	-	5,349
Contractual Services	45,752	-	45,752
Materials and Supplies	544,118	-	544,118
Capital Outlay	62,151	-	62,151
Total Operating Disbursements	808,363	-	808,363
Excess Operating Receipts Over/(Under) Operating Disbursements	75,510	-	75,510
Non-Operating Receipts/(Disbursements):			
Fines and Forfeitures	-	\$ 13,401	13,401
Transfers-In	6,000	-	6,000
Other Financing Sources	7,985	-	7,985
Other Financing Uses	(7,834)	-	(7,834)
Distribution of Fines	-	(13,401)	(13,401)
Debt Service:			
Retirement of Principal	(45,748)	-	(45,748)
Interest and Fiscal Charges	(23,821)	-	(23,821)
Total Non-Operating Disbursements	(63,418)	-	(63,418)
Excess of Receipts Over/(Under) Disbursements	12,092	-	12,092
Fund Cash Balance, January 1, 2005	415,297	-	415,297
Fund Cash Balance, December 31, 2005	\$ 427,389	\$ -	\$ 427,389

See Accompanying Notes to the Financial Statements

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Village of Marshallville is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council/mayor form of government. Elected officials include six council members, a Clerk/Treasurer, and a Mayor. The Village provides general government services, including maintenance of Village streets, police and ambulance services, utilities and recreation.

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – This fund receives gasoline tax monies from the State of Ohio for construction and repair of Village streets.

Fire Fund – This fund receives tax monies from a voted levy for fire and ambulance service.

Income Tax Fund – This fund is used to record the collection of the self-assessed taxes on income, the cost of collecting such taxes and the distribution to various other funds in accordance with Village ordinances.

Klusch Fund – This fund received money from the John and Roene A. Klusch Trust to be used for specific improvement projects within the Village. The fund was reclassified from a Fiduciary fund in 2006.

3. **Enterprise Funds**

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

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

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

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

4. **Fiduciary Funds**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable trust funds. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Klusch Fund – This fund received money from the John and Roene A. Klusch Trust to be used for specific improvement projects within the Village. The fund was reclassified to a Special Revenue Fund Type in 2006.

Mayor's Court Fund – This fund receives fine monies and distributes them to the General Fund along with payments to the State for their share of the fines.

E. **BUDGETARY PROCESS**

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

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and departmental level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

		<u>2006</u>		<u>2005</u>
Demand Deposits	\$	674,285	\$	714,960
Total Deposits and Investments	\$	<u>674,285</u>	\$	<u>714,960</u>

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 & 2005 is as follows:

2006 Budget Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 220,000	\$ 174,928	\$ (45,072)
Special Revenue	85,500	175,273	89,773
Enterprise	828,500	1,282,243	453,743
Total	\$ 1,134,000	\$ 1,632,444	\$ 498,444

2006 Budget Vs. Actual Budgetary Basis Expenditures			
Fund Type	Total Appropriations	Total Expenditures	Variance
General	\$ 224,451	\$ 159,094	\$ 65,357
Special Revenue	100,500	207,138	(106,638)
Enterprise	907,410	1,306,887	(399,477)
Total	\$ 1,232,361	\$ 1,673,119	\$ (440,758)

2005 Budget Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 164,800	\$ 127,026	\$ (37,774)
Special Revenue	87,302	168,459	81,157
Expendable Trust	20,000	96,000	76,000
Enterprise	1,128,500	897,858	(230,642)
Total	\$ 1,400,602	\$ 1,289,343	\$ (111,259)

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

3. BUDGETARY ACTIVITY - (continued)

2005 Budget Vs. Actual Budgetary Basis Expenditures			
Fund Type	Total	Total	Variance
	Appropriations	Expenditures	
General	\$ 179,243	\$ 233,850	\$ (54,607)
Special Revenue	102,087	171,799	(69,712)
Expendable Trust	140,000	164,115	(24,115)
Enterprise	1,037,836	885,766	152,070
 Total	 \$ 1,459,166	 \$ 1,455,530	 \$ 3,636

4. PROPERTY TAXES

Real property becomes a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. LOCAL INCOME TAXES

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency or business activities within the Village corporation limits as well as certain income of residents earned outside the Village corporate limits.

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

In 2006, all sums collected were transferred to the General Fund from the Income Tax Fund. In 2005, no transfers were made from Income Tax Fund.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

6. TRANSFERS

In 2006, the Village transferred funds from the Income Tax Fund to the General Fund. In addition, the Fire Equipment Fund transferred fund to Fire Fund and the General Fund transferred funds to the Emergency Vehicle Fund. All transfers made in 2006 were not in accordance with the Ohio Revised Code requirements.

In 2005, the Village transferred funds from the General Fund to the Emergency Vehicle Fund, Klusch Fund, and Water Fund. In addition, the Fire Fund transferred fund to Fire Equipment Fund. All transfers made in 2005 were not in accordance with the Ohio Revised Code requirements, as well.

7. DEBT

Debt outstanding at December 31, 2006 & 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 190,487	2.00% - 4.00%
Ohio Public Works Commission Loans	270,856	0.00%
Wastewater System Mortgage Revenue Bonds	372,100	5.00% - 7.125%
Electric Distribution System Note	<u>270,000</u>	4%
Total	<u>\$ 1,103,443</u>	

The Ohio Water Development Authority Loans were used for water and sewer system improvements. The Ohio Public Works Commission loans were for water and sewer projects. The Mortgage Revenue Bonds were for various water improvement projects. All of these issues will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirements.

The Electric Distribution System Note was for improvements to the Village's electric distribution system. The loan was for one year with an interest rate of 4% and will be paid with revenues derived from electric utility rates.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

7. DEBT – (continued)

Principal requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

Year Ending December 31:	<u>OPWC Loans</u>	<u>OWDA Loans</u>	<u>Mortgage Revenue Bonds</u>
2007	\$ 20,756	\$ 7,040	\$ 15,000
2008	20,756	7,239	15,200
2009	20,756	7,445	16,200
2010	20,756	7,658	17,300
2011	20,756	7,877	17,500
2012 - 2016	103,780	42,928	103,700
2017 - 2021	63,296	46,925	134,500
2022 - 2026	-	-	52,700
Total	<u>\$ 270,856</u>	<u>\$ 127,112</u>	<u>\$ 372,100</u>

As of the date of this report, the Ohio Water Development Authority (OWDA) Loan #4479, issued on February 23, 2006, did not have a final amortization schedule from OWDA. The loan was for sewer system design.

8. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries during 2005. For 2006, OPERS members contributed 9% of their wages. The Village contributed an amount equal to 13.70% of participants' gross salaries during that year. The Village has paid all contributions required through December 31, 2006 and 2005.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2006, two members of Village Council had elected Social Security. The Council's liability is 6.2% of wages paid.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

9. RISK POOL MANAGEMENT

The Village belongs to the Public Entities Pool of Ohio (the PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

PEP retains casualty risks up to \$250,000 per occurrence, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, Saint Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. Saint Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Saint Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

PEP's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005 (the latest information available):

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

9. RISK POOL MANAGEMENT – (continued)

		<u>2006</u>		<u>2005</u>
<u>Casualty Insurance</u>				
Assets	\$	30,997,868	\$	29,719,675
Liabilities		(15,875,741)		(15,994,168)
Retained Earnings	\$	13,725,507	\$	13,725,507
<u>Property Insurance</u>				
Assets	\$	5,125,326	\$	4,443,332
Liabilities		(863,163)		(1,068,245)
Retained Earnings	\$	3,375,087	\$	3,375,087

The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Village pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

10. LEGAL COMPLIANCE

Ohio Revised Code Section 5705.41 (B) prohibits a subdivision from making expenditures unless they have been appropriated. The Village had expenditures exceeding appropriations in various funds in both years.

Ohio Revised Code Section 5705.41 (D), the Village did not encumber all transactions.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

11. CHANGE IN BEGINNING FUND BALANCE

In 2005, the Village reported its Klusch Trust Fund in the Expendable Trust category. Auditor of State Audit Bulletin 2005-005 required the Village to reclassify its Expendable Trust Funds as Special Revenue Funds in 2006. The restatement is listed below:

	<u>Special Revenue Funds</u>	<u>Expendable Trust</u>
December 31, 2005 Fund		
Balance as previously reported	\$ 187,167	\$ 53,929
Prior Period Adjustment	<u>53,929</u>	<u>(53,929)</u>
January 1, 2006 Fund Balance as restated	<u>\$ 241,096</u>	<u>\$ -</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Village of Marshallville
Wayne County
7 North Main Street
P.O. Box 169
Marshallville, Ohio 44645

To the Village Council:

We have audited the financial statements of the Village of Marshallville, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 11, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2006-Marshallville-01 through 04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-Marshallville-01 through 04.

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

We noted certain matters that we have reported to management of the Village in a separate letter dated October 11, 2007.

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

Charles E. Harris & Associates, Inc.
October 11, 2007

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 & 2005**

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

Finding Number: 2006-Marshallville-01 Material Weakness and Non-Compliance Citation

Ohio Revised Code Section 5705.41 (D), requires in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state 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, blanket certificates, and super blanket certificates, which are provided for in sections 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 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 the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less that \$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 expenditure by the Village.

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2006 & 2005**

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

Finding Number: 2006-Marshallville-01 Material Weakness and Non-Compliance Citation- (continued)

During our testing, we noted 11 of 60 non-payroll expenditures where the Fiscal Officer failed to certify the availability of funds.

In the future, the Village should make an effort to ensure that all disbursements of Village funds are accompanied by a purchase order dated before the invoice date in order to be in compliance with ORC 5705.41 (B) and (D).

Management Response:

Management will monitor purchases to ensure that available funds are certified.

Finding Number: 2006-Marshallville-02 Material Weakness and Non-Compliance Citation

Total Expenditures Plus Encumbrances Exceeding Total Appropriations

Ohio Revised Code Section 5705.41 (B) prohibits the Village from making expenditure unless it has been properly appropriated. The following funds were found to have budgetary expenditures in excess of appropriations:

<u>Fund</u>	<u>2006</u>		
	<u>Total</u> <u>Appropriations</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
SCM & R	\$ 17,000	\$ 49,335	\$ (32,335)
Income Tax	40,000	87,105	(47,105)
Fire	26,500	56,269	(29,769)
Ambulance	-	1,147	(1,147)
Fire Equipment	-	11,261	(11,261)
Sewer	119,730	199,537	(79,807)
Electric	554,400	881,513	(327,113)
Utilities Deposit	2,500	6,609	(4,109)

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2006 & 2005**

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

Finding Number: 2006-Marshallville-02 Material Weakness and Non-Compliance Citation – (con't)

2005			
Fund	Total Appropriations	Budgetary Expenditures	Variance
General	\$ 179,243	\$ 233,850	\$ (54,607)
SCM & R	54,000	102,378	(48,378)
Fire	12,087	63,482	(51,395)
Klusch Fund	140,000	164,115	(24,115)
Utilities Deposit	1,400	7,935	(6,535)

In addition, Auditor of State Bulletin 97-010 requires budgetary compliance be tested at the legal level of control. The Village's legal level of control is the department level. The following General Fund departments were found to have expenditures in excess of appropriations at December 31, 2006 and 2005:

2006			
Fund/Department	Total Appropriations	Budgetary Expenditures	Variance
Police	\$ 60,660	\$ 74,052	\$ (13,392)
Public Health	2,200	6,425	(4,225)
Recreation	-	15,367	(15,367)
Mayor	6,900	8,576	(1,676)
Mayor's Court	2,800	4,325	(1,525)
Law Director	5,800	9,836	(4,036)

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2006 & 2005**

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

Finding Number: 2006-Marshallville-02 Material Weakness and Non-Compliance Citation – (con't)

<u>Fund/Department</u>	2005		<u>Variance</u>
	<u>Total Appropriations</u>	<u>Budgetary Expenditures</u>	
<u>General Fund</u>			
Police	\$ 55,000	\$ 77,364	\$ (22,364)
Fire	-	1,943	(1,943)
Recreation	5,200	11,607	(6,407)
Mayor	6,900	7,025	(125)
Mayor's Court	2,800	4,057	(1,257)
General Government	7,343	10,830	(3,487)
Transfers	-	50,000	(50,000)

Management Response:

Management will monitor expenditures and appropriations to avoid overspending.

Finding Number: 2006-Marshallville-03 Material Weakness and Non-Compliance Citation

Village Accounting System

Ohio Administrative code Section 117-2-02(A), requires all local public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Per Ohio Administrative Code Section 117-2-02(D), accounting records that can help achieve these objectives include, in part:

- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of payor, purpose, receipt number and other information required for the transactions can be recorded in this ledger.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2006 & 2005**

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

Finding Number: 2006-Marshallville-03 Material Weakness and Non-Compliance Citation – (con't)

The Ohio Village Officials Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes, intergovernmental revenue etc.) Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

During the years 2005 and 2006, the Village income tax department did not utilize subsidiary ledgers, including a receipt journal to help ensure that tax collections were complete and accurate. The income tax activities were summarized manually; however, the manual receipt summaries only documented deposit totals rather than detailing transactions by source. Additionally, the Village did not maintain records of taxpayers in a suitable manner to enable enforcement of the Village income tax ordinance.

Also, Village receipts were not always posted into accurate receipt classifications based upon the source of the receipt. For example, Local Government, personal property tax, homestead/rollback property tax payments were all posted into Real Estate instead of intergovernmental revenue. The Village's revenue ledger was maintained in a way that made it difficult to identify the source of the remittance or if it was accurately recorded in the proper account.

We recommend the Village utilize available authoritative resources such as the Village Officials Handbook or the Uniform Accounting Network developed by the Auditor of State to appropriately classify and record receipt transactions.

Management Response:

Management does not agree that this is a valid finding as it relates to income tax compliance. It agrees that some receipts may have been miscoded and will monitor receipts to ensure correct posting.

Finding Number: 2006-Marshallville-04 Material Weakness and Non-Compliance Citation

Village of Marshallville Ordinances regarding income tax distribution requires income tax monies collected to be credited to the Income Tax Fund and then periodically transferred to the General Fund. During the year 2005, the Village made no transfers of income tax funds to the General Fund as required by this ordinance. The 2005 income tax collections were transferred to the General Fund in 2006.

The Village should implement procedures to ensure that income tax monies are transferred to the General Fund on a regular basis in the year it is collected.

Management Response:

Management will transfer income tax monies annually.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 & 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-Marshallville-01	ORC 5705.41 (D) Failure to certify funds.	No	Not Corrected. See Finding Number 2006-Marshallville-01.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARSHALLVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 29, 2008**