

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Village Council
Village of Marshallville
7 North Main St.
Marshallville, Ohio 44645

We have reviewed the *Independent Accountants' Report* of the Village of Marshallville, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 28, 2009

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**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

August 24, 2009

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

To the Village Council:

We have audited the accompanying financial statements of the **Village of Marshallville, Wayne County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007 or their changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Marshallville, Wayne County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 27,731	\$ 5,388	\$ 33,119
Municipal Income Taxes	-	55,151	55,151
Intergovernmental	58,903	258,034	316,937
Charges for Services	4,282	53,929	58,211
Fines, Licenses, and Permits	165	-	165
Earnings on Investments	3,805	-	3,805
Miscellaneous	60,735	13,397	74,132
	<u>155,621</u>	<u>385,899</u>	<u>541,520</u>
Total Cash Receipts	<u>155,621</u>	<u>385,899</u>	<u>541,520</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	74,595	14,907	89,502
Public Health Services	1,315	-	1,315
Leisure Time Activities	11,491	-	11,491
Community Environment	148	-	148
Transportation	215	29,128	29,343
General Government	86,966	16,540	103,506
Capital Outlay	-	3,966	3,966
	<u>174,730</u>	<u>64,541</u>	<u>239,271</u>
Total Cash Disbursements	<u>174,730</u>	<u>64,541</u>	<u>239,271</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(19,109)</u>	<u>321,358</u>	<u>302,249</u>
Other Financing Receipts and (Disbursements):			
Transfer-In	-	10,000	10,000
Transfer-Out	-	(10,000)	(10,000)
Other Uses	(1,775)	(493)	(2,268)
	<u>(1,775)</u>	<u>(493)</u>	<u>(2,268)</u>
Total Other Financing Receipts/(Disbursements)	<u>(1,775)</u>	<u>(493)</u>	<u>(2,268)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(20,884)	320,865	299,981
Fund Cash Balances, January 1	22,338	189,114	211,452
Fund Cash Balances, December 31	<u>\$ 1,454</u>	<u>\$ 509,979</u>	<u>\$ 511,433</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 1,133,756	\$ -	\$ 1,133,756
Miscellaneous	40	-	40
Total Operating Cash Receipts	<u>1,133,796</u>	<u>-</u>	<u>1,133,796</u>
Operating Cash Disbursements:			
Personal Services	149,521	-	149,521
Transportation	4,164	-	4,164
Contractual Services	129,721	-	129,721
Supplies and Materials	715,760	-	715,760
Capital Outlay	105,003	-	105,003
Other	45,701	-	45,701
Total Operating Cash Disbursements	<u>1,149,870</u>	<u>-</u>	<u>1,149,870</u>
Operating Income (Loss)	<u>(16,074)</u>	<u>-</u>	<u>(16,074)</u>
Non-Operating Cash Receipts/(Disbursements):			
Note Proceeds	76,277	-	76,277
Other Financing Sources	9,200	6,789	15,989
Other Financing Uses	(7,178)	(1,340)	(8,518)
Redemption of Principal	(43,751)	-	(43,751)
Interest and Other Fiscal Charges	(30,953)	-	(30,953)
Total Non-Operating Cash Receipts/(Disbursements)	<u>3,595</u>	<u>5,449</u>	<u>9,044</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(12,479)	5,449	(7,030)
Fund Cash Balances, January 1	<u>350,959</u>	<u>2,773</u>	<u>353,732</u>
Fund Cash Balances, December 31	<u>\$ 338,480</u>	<u>\$ 8,222</u>	<u>\$ 346,702</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 21,338	\$ 11,689	\$ 33,027
Municipal Income Taxes	-	62,007	62,007
Intergovernmental	22,543	62,159	84,702
Charges for Services	4,034	30,657	34,691
Fines, Licenses, and Permits	4,750	-	4,750
Earnings on Investments	2,108	3,857	5,965
Miscellaneous	23,906	3,012	26,918
	<u>78,679</u>	<u>173,381</u>	<u>252,060</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	49,330	31,152	80,482
Public Health Services	6,305	-	6,305
Leisure Time Activities	16,717	-	16,717
Transportation	28	84,711	84,739
General Government	101,056	3,178	104,234
Capital Outlay	-	11,505	11,505
	<u>173,436</u>	<u>130,546</u>	<u>303,982</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>(94,757)</u>	<u>42,835</u>	<u>(51,922)</u>
Other Financing Receipts and (Disbursements):			
Transfer-In	62,945	-	62,945
Transfer-Out	-	(62,945)	(62,945)
Other Sources	-	-	-
Other Uses	<u>(8,159)</u>	<u>(7)</u>	<u>(8,166)</u>
Total Other Financing Receipts/(Disbursements)	<u>54,786</u>	<u>(62,952)</u>	<u>(8,166)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(39,971)	(20,117)	(60,088)
Fund Cash Balances, January 1	<u>62,309</u>	<u>209,231</u>	<u>271,540</u>
Fund Cash Balances, December 31	<u><u>\$ 22,338</u></u>	<u><u>\$ 189,114</u></u>	<u><u>\$ 211,452</u></u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Proprietary Fund Type</u>	<u>Fuduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Cash Receipts:			
Charges for Services	\$ 990,101	\$ -	\$ 990,101
Miscellaneous	540	-	540
	<u>990,641</u>	<u>-</u>	<u>990,641</u>
Operating Cash Disbursements:			
Personal Services	148,327	-	148,327
Transportation	3,244	-	3,244
Contractual Services	54,571	-	54,571
Supplies and Materials	596,959	-	596,959
Capital Outlay	182,918	-	182,918
	<u>986,019</u>	<u>-</u>	<u>986,019</u>
Operating Income (Loss)	<u>4,622</u>	<u>-</u>	<u>4,622</u>
Non-Operating Cash Receipts/(Disbursements):			
Note Proceeds	27,708	-	27,708
Other Financing Sources	4,625	9,382	14,007
Other Financing Uses	(4,088)	(6,609)	(10,697)
Redemption of Principal	(51,395)	-	(51,395)
Interest and Other Fiscal Charges	(33,263)	-	(33,263)
	<u>(56,413)</u>	<u>2,773</u>	<u>(53,640)</u>
Net Cash Receipts Over/(Under) Cash Disbursements	(51,791)	2,773	(49,018)
Fund Cash Balances, January 1	<u>402,745</u>	<u>-</u>	<u>402,745</u>
Fund Cash Balances, December 31	<u>\$ 350,954</u>	<u>\$ 2,773</u>	<u>\$ 353,727</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. 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 or permitted 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. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

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

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.

4. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This fund receives and distributes Mayor's Court fines and forfeitures.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are closed and need to be reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	\$ 858,135	\$ 565,179
Total	<u>\$ 858,135</u>	<u>\$ 565,179</u>

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 155,020	\$ 155,621	\$ 601
Special Revenue	389,848	395,899	6,051
Enterprise	1,119,200	1,219,273	100,073
Total	\$ 1,664,068	\$ 1,770,793	\$ 106,725

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 176,505	\$ 176,505	\$ -
Special Revenue	128,758	75,034	53,724
Enterprise	1,156,020	1,231,752	(75,732)
Total	\$ 1,461,283	\$ 1,483,291	\$ (22,008)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 212,500	\$ 141,624	\$ (70,876)
Special Revenue	89,500	173,381	83,881
Enterprise	1,133,300	1,022,974	(110,326)
Total	\$ 1,435,300	\$ 1,337,979	\$ (97,321)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 197,640	\$ 181,595	\$ 16,045
Special Revenue	152,230	193,498	(41,268)
Enterprise	1,222,706	1,074,765	147,941
Total	\$ 1,572,576	\$ 1,449,858	\$ 122,718

Contrary to Ohio Rev. Code Section 5705.39, total appropriations exceeded total estimated resources during the year for the Street Construction, Maintenance, and Repair Fund in 2007.

Contrary to Ohio Rev. Code Section 5705.41(B), actual disbursements exceeded appropriations in the Street Construction, Maintenance, and Repair, State Highway, Income Tax, Electric, and Utilities Deposits Funds in 2007 and the Sewer Fund in 2008.

Contrary to Ohio Rev. Code Section 5705.41(D)(1), the Village did not properly certify the availability of funds prior to purchase commitment for 57% and 73% of the expenditures tested during 2008 and 2007, respectively.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest</u>
OWDA - 3225 Waterline Replacement	\$ 51,914	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	60,920	2.00%
OWDA - 4479 Sewer System Design	168,432	4.99%
Farmers State Bank Electric Distribution System Note	270,000	4.00%
OPWC - CP20D Waterline Replacement Project Phase 2	90,951	0.00%
OPWC - CP17C Waterline Replacement Project Phase 1	59,418	0.00%
OPWC - CP002 Sanitary Sewer Separation Project	78,975	0.00%
Capmark Mortgage Revenue - #01-049500-1	275,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	20,600	7.15%
Capmark Mortgage Revenue - #01-049500-5	46,400	5.00%
	<u>\$ 1,122,610</u>	

The Ohio Water Development Authority (OWDA) Loans were used for water and sewer system improvements. The outstanding balance for all OWDA Loans as of December 31, 2006 was misstated in the prior audit and should have been \$200,815, instead of \$190,487. During the audit period, OWDA disbursed an additional \$103,985 on behalf of the Village. This amount is reflected in the 2008 principal balance due. The Ohio Public Works Commission (OPWC) Loans were for water and sewer projects. The Mortgage Revenue Bonds were for various water improvement projects. All of these issues will be retired by water and sewer revenues. The Village has agreed to set utility rates at amounts sufficient to cover debt requirements.

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

Amortization of the above debt, including interest, excluding Mortgage Revenue Bonds is scheduled as follows:

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Mortgage Revenue Bonds</u>
2009	\$ 19,126	\$ 20,755	\$ 33,743
2010	19,126	20,755	34,020
2011	19,126	20,755	33,342
2012	191,196	20,755	33,552
2013	10,626	20,755	33,807
2014-2018	53,129	99,625	169,313
2019-2023	29,236	25,944	142,138
2024-2028	-	-	18,202
Total	<u>\$ 341,565</u>	<u>\$ 229,344</u>	<u>\$ 498,117</u>

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. LOCAL INCOME TAXES

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

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

In 2007, partial sums collected were transferred to the General Fund from the Income Tax Fund. In 2008, no transfers were made from the Income Tax Fund.

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.0% and 9.5%, respectively, of their gross salaries, and the Village contributed an amount equaling 14.00% and 13.85%, respectively, of participants' gross salaries. The Village paid all contributions required through December 31, 2008.

8. RISK MANAGEMENT

Risk Pool Membership

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Casualty Coverage

PEP retains up to \$350,000 per claim, including loss adjustment expenses. PEP makes an annual contribution to APEEP. APEEP reinsures casualty claims exceeding \$350,000, up to \$2,650,000 per claim and \$5,000,000 in the aggregate per year. If losses exhaust PEP's net assets, APEEP covers PEP's retained casualty risk up to \$10,000,000 per year, subject to a per-claim limit of \$3,000,000. Local political subdivisions can elect additional coverage, up to a limit of \$12,000,000 from the General Reinsurance Corporation.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 in any one occurrence. APEEP reinsures property losses that are greater than \$100,000 up to \$250,000 per occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence.

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 local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2007 and 2006, (the latest information available):

	2007	2006
Statement of Net Assets		
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets-Unrestricted	\$20,219,246	\$19,384,290

9. INTERFUND TRANSFERS

During 2008, the Village transferred monies to allocate funds for fire equipment purchases from the Fire Special Revenue Fund to the Fire Equipment Special Revenue Fund. During 2007, the Village transferred a portion of the collected local income tax monies from the Income Tax Special Revenue Fund to the General Fund. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

Perry & Associates
Certified Public Accountants, A.C.

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

August 24, 2009

Village of Marshallville
Wayne County
7 North Main Street
Marshallville, OH 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, 2008 and 2007, and have issued our report thereon dated August 24, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of the 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 considered 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 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 its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

Internal Control over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. We believe the following significant deficiency described above is a material weakness: 2008-004.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 24, 2009.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.39 provides that the total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The appropriations exceeded that total estimated resources for the Street Construction, Maintenance, and Repair Fund in 2007.

The Village should obtain a certificate from the County Auditor stating that the total appropriations do not exceed the total estimated resources whenever an amendment is made to the original appropriation measure.

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

FINDING NUMBER 2008-002

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations in 2007 in the Street Construction, Maintenance, and Repair, State Highway, Income Tax, Fire, Electric, and Utilities Deposit Funds and in 2008 in the Sewer Fund.

We recommend the Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

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

FINDING NUMBER 2008-003

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated 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.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Ohio Revised Code Section 5705.41(D)(1) (Continued)

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 taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the 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.
2. Blanket Certificate – Fiscal Officer 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 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 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.

57% of the transactions tested in 2008 and 73% of the transactions tested in 2007 were not certified by the Fiscal Officer at the time the commitment was incurred and 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 cash fund balances.

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 obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-004

Material Weakness/Significant Deficiency

Posting Receipts and Expenditures

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

During 2008 and 2007, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Mayor's Court Agency Fund was not maintained
- Motor vehicle license fees as Property and Other Local Taxes in the General Fund instead of Intergovernmental in the Street Construction, Maintenance, and Repair Fund
- Street repair expenditures as General Government, Leisure Time Activities, and Basic Utility Services in the General Fund instead of Transportation in the Street Construction, Maintenance, and Repair Fund.
- Tax receipts posted as Miscellaneous instead of Property and Other Local Taxes
- Insurance reimbursements as Charges for Services instead of Miscellaneous
- Grant funding and utility deregulation monies as Charges for Services instead of Intergovernmental
- Additional funds distributed by the Ohio Water Development Authority were not recorded as Note Proceeds

Not posting revenues and expenditures accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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

FINDING NUMBER 2008-005

Significant Deficiency

Bank Reconciliations

The Fiscal Officer did not always prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks, deposits in transit and other reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in errors which remained undetected and/or uncorrected until the audit.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Council for the Council's review and use in managing the Village. The Fiscal Officer should reconcile activity entered in the receipts ledger and appropriations ledger to the cashbook.

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-006

Significant Deficiency

Income Tax Distribution

Village 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 2008, the Village made no transfers of income tax funds to the General Fund as required by this ordinance. The 2006 income tax collections were transferred to the General Fund in 2007.

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

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

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 5705.41(D) – Expenditures not properly encumbered	No	Not Corrected; Repeated as Finding 2008-003
2006-002	ORC Section 5705.41(B) – Expenditures exceeded appropriations	No	Not Corrected; Repeated as Finding 2008-002
2006-003	ORC Section 117-2-02(A) – Incorrect posting of receipts and no income tax subsidiary ledgers	No	Partially Corrected; Repeated as Finding 2008-004 for Posting of Receipts and Expenditures
2006-004	Income Tax Distribution	No	Not Corrected; Repeated as Finding 2008-006



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
OCTOBER 8, 2009**