



Dave Yost • Auditor of State

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Marshallville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Marshallville, Wayne County, Ohio as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 26, 2017

VILLAGE OF MARSHALLVILLE
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,045	\$10,526	\$0	\$29,571
Municipal Income Tax	113,072	0	0	113,072
Intergovernmental	26,404	130,149	0	156,553
Charges for Services	4,405	630	0	5,035
Fines, Licenses and Permits	28,416	2,783	0	31,199
Earnings on Investments	417	0	0	417
Miscellaneous	1,852	4,991	0	6,843
<i>Total Cash Receipts</i>	<u>193,611</u>	<u>149,079</u>	<u>0</u>	<u>342,690</u>
Cash Disbursements				
Current:				
Security of Persons and Property	59,081	13,289	0	72,370
Public Health Services	1,050	0	0	1,050
Leisure Time Activities	2,012	0	0	2,012
Transportation	3,188	178,135	0	181,323
General Government	50,212	7,307	0	57,519
Capital Outlay	0	0	17,546	17,546
<i>Total Cash Disbursements</i>	<u>115,543</u>	<u>198,731</u>	<u>17,546</u>	<u>331,820</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>78,068</u>	<u>(49,652)</u>	<u>(17,546)</u>	<u>10,870</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	11,531	11,531
Transfers Out	(11,531)	0	0	(11,531)
Other Financing Uses	(1,190)	0	0	(1,190)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(12,721)</u>	<u>0</u>	<u>11,531</u>	<u>(1,190)</u>
<i>Net Change in Fund Cash Balances</i>	65,347	(49,652)	(6,015)	9,680
<i>Fund Cash Balances, January 1</i>	<u>1,257</u>	<u>203,951</u>	<u>15,453</u>	<u>220,661</u>
Fund Cash Balances, December 31				
Restricted	0	154,299	0	154,299
Assigned	0	0	9,438	9,438
Unassigned (Deficit)	66,604	0	0	66,604
<i>Fund Cash Balances, December 31</i>	<u>\$66,604</u>	<u>\$154,299</u>	<u>\$9,438</u>	<u>\$230,341</u>

See accompanying notes to the basic financial statements

VILLAGE OF MARSHALLVILLE
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2016

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$1,198,680	\$0	\$1,198,680
Miscellaneous	100	0	100
<i>Total Operating Cash Receipts</i>	<u>1,198,780</u>	<u>0</u>	<u>1,198,780</u>
Operating Cash Disbursements			
Personal Services	168,794	0	168,794
Transportation	2,392	0	2,392
Contractual Services	775,014	0	775,014
Supplies and Materials	127,504	0	127,504
Other	0	0	0
<i>Total Operating Cash Disbursements</i>	<u>1,073,704</u>	<u>0</u>	<u>1,073,704</u>
<i>Operating Income</i>	<u>125,076</u>	<u>0</u>	<u>125,076</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	230,866	0	230,866
Miscellaneous Receipts	0	56	56
Capital Outlay	(229,372)	0	(229,372)
Principal Retirement	(104,188)	0	(104,188)
Interest and Other Fiscal Charges	(26,744)	0	(26,744)
Other Financing Sources	9,380	31,596	40,976
Other Financing Uses	(5,140)	(30,174)	(35,314)
<i>Total Non-Operating (Disbursements)</i>	<u>(125,198)</u>	<u>1,478</u>	<u>(123,720)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(122)	1,478	1,356
<i>Net Change in Fund Cash Balances</i>	(122)	1,478	1,356
<i>Fund Cash Balances, January 1</i>	<u>180,296</u>	<u>313</u>	<u>180,609</u>
<i>Fund Cash Balances, December 31</i>	<u>\$180,174</u>	<u>\$1,791</u>	<u>\$181,965</u>

See accompanying notes to the basic financial statements

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Marshallville (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, park operations, and police services

Public Entity Risk Pools

The Village participates in a public entity risk pool. Notes 7 and 11 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Outlay Fund The capital outlay fund accounts for and reports proceeds of a portion of the income tax levy. The proceeds are being used to construct road improvements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Utility Deposit Fund The utility deposit fund receives charges for services from residents to cover the cost of providing the utilities.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund personal services level of control for the General Fund and at the fund level of control for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2016 budgetary activity appears in Note 4.

Capital Assets

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

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.

Fund Balance

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

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

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

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

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

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Note 3 - Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Maintenance and Repair fund by \$37,080; in the Sewer fund by \$7,641; and in the Water fund by \$99,172 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$273,457	\$193,611	(\$79,846)
Special Revenue	153,929	149,079	(4,850)
Capital Projects	10,000	11,531	1,531
Enterprise	1,286,517	1,439,026	152,509
Fiduciary	33,054	31,652	(1,402)
Total	\$1,756,957	\$1,824,899	\$67,942

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,605	\$128,264	\$52,341
Special Revenue	165,171	198,731	(33,560)
Capital Projects	20,000	17,546	2,454
Enterprise	1,340,699	1,439,148	(98,449)
Fiduciary	30,337	30,174	163
Total	\$1,736,812	\$1,813,863	(\$77,051)

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 5 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$412,306

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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 as well as certain income of residents earned outside of the Village.

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Risk Management

Risk Pool Membership

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$12,000.

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Risk Management (Continued)

<u>2016 Contributions to PEP</u> <u>\$18,596</u>

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

Note 9 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 3225 Waterline Replacement	\$21,613	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	\$25,312	2.00%
OWDA - 5429 WWTP Improvements	\$434,679	0.00%
Farmers State Bank Electric Distribution System Note	\$140,000	4.00%
OPWC - CP17C Waterline Replacement Project Phase 1	\$20,667	0.00%
OPWC - CP20D Waterline Replacement Project Phase 2	\$36,380	0.00%
OPWC - CP002 Sanitary Sewer Separation Project	\$16,626	0.00%
Capmark Mortgage Revenue - #01-049500-1	\$142,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	\$14,500	7.13%
Capmark Mortgage Revenue - #01-049500-5	\$30,700	5.00%
Total	<u>\$882,477</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer system improvements. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service 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 charges for services receipts. 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 in amounts sufficient to cover debt requirements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 10 – Debt (Continued)

Amortization

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

Year ending December 31:	OWDA Loans	Farmers State Bank Electric	OPWC Loans	Mortgage Revenue Bonds
		Distribution System Note		
2017	\$41,674	\$25,600	\$20,756	\$34,068
2018	41,674	24,800	20,756	34,127
2019	41,674	24,000	12,443	34,019
2020	41,674	23,200	12,443	33,848
2021	39,034	22,400	7,276	33,715
2022-2026	155,243	42,400	0	58,603
2027-2030	124,194	0	0	0
Total	<u>\$485,167</u>	<u>\$162,400</u>	<u>\$73,674</u>	<u>\$228,380</u>

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

VILLAGE OF MARSHALLVILLE
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$19,592	\$10,758	\$0	\$30,350
Municipal Income Tax	88,879	0	2,251	91,130
Intergovernmental	24,666	42,240	0	66,906
Charges for Services	4,315	3,622	0	7,937
Fines, Licenses and Permits	14,043	0	0	14,043
Earnings on Investments	481	0	0	481
Miscellaneous	1,353	500	0	1,853
<i>Total Cash Receipts</i>	<u>153,329</u>	<u>57,120</u>	<u>2,251</u>	<u>212,700</u>
Cash Disbursements				
Current:				
Security of Persons and Property	61,036	15,280	0	76,316
Public Health Services	2,220	0	0	2,220
Leisure Time Activities	6,668	0	0	6,668
Transportation	36	71,723	0	71,759
General Government	62,650	636	0	63,286
Capital Outlay	0	0	36,041	36,041
<i>Total Cash Disbursements</i>	<u>132,610</u>	<u>87,639</u>	<u>36,041</u>	<u>256,290</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,719</u>	<u>(30,519)</u>	<u>(33,790)</u>	<u>(43,590)</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(1,093)	0	0	(1,093)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,093)</u>	<u>0</u>	<u>0</u>	<u>(1,093)</u>
<i>Net Change in Fund Cash Balances</i>	19,626	(30,519)	(33,790)	(44,683)
<i>Fund Cash Balances, January 1</i>	<u>(18,369)</u>	<u>234,470</u>	<u>49,243</u>	<u>265,344</u>
Fund Cash Balances, December 31				
Restricted	0	203,951	0	203,951
Assigned	0	0	15,453	15,453
Unassigned (Deficit)	1,257	0	0	1,257
<i>Fund Cash Balances, December 31</i>	<u>\$1,257</u>	<u>\$203,951</u>	<u>\$15,453</u>	<u>\$220,661</u>

See accompanying notes to the basic financial statements

VILLAGE OF MARSHALLVILLE
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,151,881	\$0	\$1,151,881
Miscellaneous	300	0	300
<i>Total Operating Cash Receipts</i>	<u>1,152,181</u>	<u>0</u>	<u>1,152,181</u>
Operating Cash Disbursements			
Personal Services	174,848	0	174,848
Transportation	2,893	0	2,893
Contractual Services	721,379	0	721,379
Supplies and Materials	210,914	0	210,914
Other	0	0	0
<i>Total Operating Cash Disbursements</i>	<u>1,110,034</u>	<u>0</u>	<u>1,110,034</u>
<i>Operating Income</i>	<u>42,147</u>	<u>0</u>	<u>42,147</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	11,131		11,131
Capital Outlay	(22,552)	0	(22,552)
Principal Retirement	(101,731)	0	(101,731)
Interest and Other Fiscal Charges	(20,852)	0	(20,852)
Other Financing Sources	5,100	6,525	11,625
Other Financing Uses	(5,350)	(6,660)	(12,010)
<i>Total Non-Operating (Disbursements)</i>	<u>(134,254)</u>	<u>(135)</u>	<u>(134,389)</u>
<i>Net Change in Fund Cash Balances</i>	(92,107)	(135)	(92,242)
<i>Fund Cash Balances, January 1</i>	<u>272,403</u>	<u>448</u>	<u>272,851</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$180,296</u></u>	<u><u>\$313</u></u>	<u><u>\$180,609</u></u>

See accompanying notes to the basic financial statements

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Marshallville (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, park operations, and police services

Public Entity Risk Pools

The Village participates in a public entity risk pool. Notes 6 and 10 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Outlay Fund The capital outlay fund accounts for and reports proceeds of a portion of the income tax levy. The proceeds are being used to construct road improvements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Fund The electric fund accounts for the provision of electric services to the residents and commercial users within the Village.

Utility Deposit Fund The utility deposit fund receives charges for services from residents to cover the cost of providing the utilities.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village has no trust funds.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund personal services level of control for the General Fund and at the fund level of control for all other funds, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

A summary of 2015 budgetary activity appears in Note 3.

Capital Assets

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

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.

Fund Balance

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

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

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

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

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

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$215,128	\$133,703	\$81,425
Special Revenue	125,090	87,639	37,451
Capital Projects	50,000	36,041	13,959
Enterprise	1,392,170	1,260,519	131,651
Fiduciary	12,000	6,660	5,340
Total	\$1,794,388	\$1,524,562	\$269,826

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,357	\$153,329	(\$34,028)
Special Revenue	109,900	57,120	(52,780)
Capital Projects	4,300	2,251	(2,049)
Enterprise	1,278,750	1,168,412	(110,338)
Fiduciary	19,000	6,525	(12,475)
Total	\$1,599,307	\$1,387,637	(\$211,670)

Note 4 – Deposits and Investments

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

	2015
Demand deposits	\$401,270

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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 as well as certain income of residents earned outside of the Village.

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

Note 6 - Risk Management

Risk Pool Membership

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 6 - Risk Management (Continued)

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Government's share of these unpaid claims collectible in future years is approximately \$12,000.

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

<u>Contributions to PEP</u>	
<u>2014</u>	<u>2015</u>
\$18,004	\$18,447

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 3225 Waterline Replacement	\$25,929	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	\$30,079	2.00%
OWDA - 5429 WWTP Improvements	\$465,728	0.00%
Farmers State Bank Electric Distribution System Note	\$160,000	4.00%
OPWC - CP17C Waterline Replacement Project Phase 1	\$25,834	0.00%
OPWC - CP20D Waterline Replacement Project Phase 2	\$43,657	0.00%
OPWC - CP002 Sanitary Sewer Separation Project	\$24,939	0.00%
Capmark Mortgage Revenue - #01-049500-1	\$162,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	\$15,500	7.13%
Capmark Mortgage Revenue - #01-049500-5	\$33,000	5.00%
Total	<u>\$986,666</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer system improvements. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service 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 charges for services receipts. 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 in amounts sufficient to cover debt requirements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Continued)

Note 9 – Debt (Continued)

Amortization

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

Year ending December 31:	OWDA Loans	Farmers State Bank Electric	OPWC Loans	Mortgage
		Distribution System Note		Revenue Bonds
2016	\$41,674	\$26,400	\$20,756	\$34,154
2017	41,674	25,600	20,756	34,068
2018	41,674	24,800	20,756	34,127
2019	41,674	24,000	12,443	34,019
2020	41,674	23,200	12,443	33,848
2021-2025	163,228	64,800	7,276	86,293
2026-2030	155,243	0	0	6,025
Total	<u>\$526,841</u>	<u>\$188,800</u>	<u>\$94,430</u>	<u>\$262,534</u>

Note 10 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

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Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Marshallville, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated September 26, 2017 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-003 and 2016-004.

Village's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

September 26, 2017

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015

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

FINDING NUMBER 2016-001

Material Weakness - Mayor's Court

The Village does not always record the total activity for the Mayor's Court on the Village's books. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees.

For 2016, \$31,596 of Other Financing Sources and \$31,937 of Other Financing Uses were adjusted to the agency fund's financial statement to reflect the Mayor's Court Activity. For 2015, \$6,525 of Other Financing Sources and \$6,399 of Other Financing Uses were adjusted to the agency fund's financial statement to reflect the Mayor's Court Activity.

Not recording all of the Mayor's County activity results in not reporting the Village's entire activity on the financial statements, which could result in the Mayor's Court activity being overlooked and not being reviewed or monitored by Council.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund to clearly account for the portion of court receipts that legally belong to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's books, and for Council to review the activity, and will help ensure more accurate financial statements.

Officials' Response: The Village understands the importance of accurately posting Mayor's Court activity and will develop policies and procedures to correct the issue.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002

Material Weakness – Financial Statement Presentation

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer did not always accurately post receipts and disbursements to the Village’s accounting system and financial statements.

The following reclassifications and adjustments were made to the Village's 2016 financial statements:

- The Village recorded \$99,064 of Transfers-In and Transfers-Out in the General Fund and Income Tax Fund. These funds roll up into a single fund for reporting purposes.
- The Village recorded \$445 of Fines, Licenses and Permits to the Agency Fund that should have been posted to the General Fund.
- The Village posted \$90,393 of Intergovernmental Revenue to Miscellaneous Revenue in the Street Construction, Maintenance, and Repair Special Revenue Fund.
- The Village posted \$99,681 of Intergovernmental Revenue to Miscellaneous Revenue (\$2,592) and Loan Proceeds (\$10,734) in the Water Enterprise Fund and Loan Proceeds (\$86,355) in the Sewer Enterprise Fund.
- The Village posted \$716 of Intergovernmental Revenue to the Street Construction, Maintenance and Repair Fund that should have been posted to the General Fund.

The following reclassifications and adjustments were made to the Village's 2015 financial statements:

- The Village recorded \$63,744 of Transfers-In and Transfers-Out in the General Fund and Income Tax Fund. These funds roll up into a single fund for reporting purposes.
- The Village recorded a transfer of \$4,300 from the Income Tax Fund (General Fund) to the Capital Projects Fund which is contrary to Village Ordinance 13-13 which states that all income tax receipts were to be transferred to the General Fund. This amount should have remained in the General Fund.
- The Village recorded \$500 of Fines, Licenses and Permits to the Agency Fund that should have been posted to the General Fund.
- The Village recorded \$2,500 of Intergovernmental Revenue to the Charges for Services account in the Ambulance Fund.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)

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

FINDING NUMBER 2016-002 (Continued)

- The Village recorded \$9,900 to the Miscellaneous Revenue line item in the General Fund. The \$9,900 was a posting for estimated tax revenue. The Village posted a negative receipt for \$9,900 to the Income Tax Revenue line item but it should have been posted to the Miscellaneous Revenue line item to eliminate the estimated amount.
- The Village recorded \$11,131 of Intergovernmental Revenue to Loan Proceeds in the amount of \$11,131 in the Sewer Enterprise Fund.

Reclassifications and adjustments were posted to the Village's financial statements for the misstatements identified above.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The Village should develop policies and procedures to enhance its controls over recording financial reporting to help ensure the information accurately reflects the activity of the Village thereby increasing the reliability of the financial data throughout the year. Additionally, Village Council should develop financial statement review procedures. This will help to accurately reflect the Village's financial activity and aid in more accurate financial reporting.

Officials' Response: The Village understands the importance of accurately posting financial activity and will develop policies and procedures to correct the issue.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)

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

FINDING NUMBER 2016-003

Material Weakness – Noncompliance – Revenue Posting Error

Ohio Rev. Code § 5735.28 states "wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.01, 5735.2 and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133. of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The Village did not credit the State Highway Fund seven and one-half percent of their gasoline excise tax and state and local government highway distribution receipts. During 2016 and 2015 this resulted in State Highway Fund being understated by \$2,364 and \$2,355, respectively and the Street Construction, Maintenance, and Repair Fund being overstated by \$2,364 and \$2,291, respectively and the General Fund being overstated by \$64 in 2015. The amounts have been adjusted to the Village's financial statements.

The Village should ensure gasoline excise tax and state and local government highway revenues are being posted to the correct funds.

Officials' Response: The Village is aware of the requirements and will take appropriate action to comply with the Ohio Revised Code.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 and 2015
(Continued)

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

FINDING NUMBER 2016-004

Recording On-Behalf-Grants - Material Weakness/Noncompliance

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village of Marshallville did not record the related revenues and expenditures for an Ohio Public Works Commission (OPWC) Project of \$131,185 for the year ended December 31, 2016. The Village's Issue 2 monies went directly from OPWC to the appropriate contractor, as is common procedure with Issue 2 funding, and the Village did not record these monies coming into the Village or being expended to the contractor and failed to record the appropriations within its accounting records as required.

The financial statements and footnotes include the proper adjustments to reflect the Issue 2 project within the Water Enterprise Fund.

Failure to record these amounts results in an understatement of receipts and disbursements on the Village's financial statements.

We recommend the Village be cognizant of on-behalf programs and record the activity properly in their accounting system.

Officials' Response: The Village is aware of these requirements and will post future on-behalf revenues and expenses to the Villages accounting system.

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Dave Yost • Auditor of State

VILLAGE OF MARSHALLVILLE

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 21, 2017