



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF MORRAL  
MARION COUNTY

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street  
Columbus, Ohio 43215  
Telephone 614-466-3402  
800-443-9275  
Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Morral  
Marion County  
P.O. Box 156  
Morral, Ohio 43337

To the Village Council:

We have audited the accompanying financial statements of the Village of Morral, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the finance committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**JIM PETRO**  
Auditor of State

July 30, 2002

**VILLAGE OF MORRAL  
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property Tax	\$13,799	\$7,874	\$21,673
Intergovernmental Receipts	18,517	16,786	35,303
Charges for Services	100	0	100
Fines, Licenses, and Permits	175	0	175
Interest	1,072	268	1,340
Miscellaneous	889	939	1,828
	<u>34,552</u>	<u>25,867</u>	<u>60,419</u>
<b>Cash Disbursements:</b>			
Security of Persons and Property	9,852	0	9,852
Public Health Services	1,148	0	1,148
Leisure Time Activities	0	3,035	3,035
Transportation	11,585	21,246	32,831
General Government	13,622	0	13,622
	<u>36,207</u>	<u>24,281</u>	<u>60,488</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(1,655)	1,586	(69)
Fund Cash Balances, January 1, 2001	<u>63,466</u>	<u>12,404</u>	<u>75,870</u>
<b>Fund Cash Balances, December 31, 2001</b>	<b><u>\$61,811</u></b>	<b><u>\$13,990</u></b>	<b><u>\$75,801</u></b>
Reserves for Encumbrances, December 31, 2001	<u>\$0</u>	<u>\$500</u>	<u>\$500</u>

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

**VILLAGE OF MORRAL  
MARION COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax	\$17,290	\$2,321	\$19,611
Intergovernmental Receipts	20,752	13,448	34,200
Fines, Licenses, and Permits	2,760	0	2,760
Interest	1,184	321	1,505
Miscellaneous	1,970	3,009	4,979
Total Cash Receipts	43,956	19,099	63,055
<b>Cash Disbursements:</b>			
Security of Persons and Property	11,191	0	11,191
Public Health Services	2,543	0	2,543
Leisure Time Activities	0	3,873	3,873
Transportation	12,540	24,983	37,523
General Government	16,482	54	16,536
Total Cash Disbursements	42,756	28,910	71,666
Total Cash Receipts Over/(Under) Cash Disbursements	1,200	(9,811)	(8,611)
Fund Cash Balances, January 1, 2000	62,266	22,215	84,481
<b>Fund Cash Balances, December 31, 2000</b>	<b>\$63,466</b>	<b>\$12,404</b>	<b>\$75,870</b>

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



**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Morral, Marion 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 six-member Council, of which two members are publicly-elected and four members have been appointed by the Mayor and Council. The Village provides general government services, including park operations (leisure time activities). The Village contracts with the Marion County Sheriff's Department to provide security of persons and property. Salt Rock Volunteer Fire Department provides fire services for the Village.

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**

The Village maintains an interest-bearing checking account.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 had the following significant Special Revenue Fund:

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

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**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:

	2001	2000
Deposits	<u>\$75,801</u>	<u>\$75,870</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,348	\$34,552	(\$1,796)
Special Revenue	19,280	25,867	6,587
Total	\$55,628	\$60,419	\$4,791

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$99,815	\$36,207	\$63,608
Special Revenue	31,663	24,781	6,882
Total	\$131,478	\$60,988	\$70,490

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,976	\$43,956	\$8,980
Special Revenue	18,722	19,099	377
Total	\$53,698	\$63,055	\$9,357

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$96,632	\$42,756	\$53,876
Special Revenue	37,218	28,910	8,308
Total	\$133,850	\$71,666	\$62,184

Contrary to Ohio law, appropriations exceeded actual resources and budgetary expenditures exceeded appropriation authority in the Permissive Tax Fund in 2000.

**4. PROPERTY TAX**

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

**VILLAGE OF MORRAL  
MARION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**4. PROPERTY TAX (Continued)**

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.

**5. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

During 2001 and 2000, the Village's officials elected to belong to Social Security. The Villages liability is 6.2 percent of wages paid.

**6. RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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Columbus, Ohio 43215  
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Facsimile 614-728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Morral  
Marion County  
P.O. Box 156  
Morral, Ohio 43337

To the Village Council:

We have audited the accompanying financial statements of the Village of Morral, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated July 30, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2001-30651-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 30, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30651-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 30, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**JIM PETRO**  
Auditor of State

July 30, 2002

**VILLAGE OF MORRAL  
MARION COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

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

**FINDING NUMBER 2001-30651-001**

Obtaining Increased/Decreased Amended Certificate

Ohio Rev. Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village had a large budgetary variance in the Permissive Tax Fund during 2000 when estimated receipts were compared to actual receipts. The Village's failure to reduce its certificate of estimated resources resulted in appropriations exceeding the amount available for expenditure (beginning unencumbered funds plus actual receipts) by \$3,600. Furthermore, expenditures exceeded appropriations in this fund by \$2,120, contrary to Ohio Rev. Code Section 5705.41(B). This resulted in a \$5,720 negative fund balance in the Permissive Tax Fund at December 31, 2000.

We recommend the Clerk/Treasurer obtain a reduced amended certificate when appropriations exceed actual resources. Additionally, we recommend the Council monitor budget versus actual reports throughout the year to ensure expenditures do not exceed appropriations and appropriations do not exceed amounts available. In order to keep expenditures within appropriated amounts, the Council may amend the annual appropriation measure by approving supplemental appropriations or by transferring appropriations from one line item to another.

**FINDING NUMBER 2001-30651-002**

Council Monitoring

During 2000 and 2001, the Council did not receive or monitor budget versus actual reports for receipts and expenditures. The Council approved appropriations at the object level, which is the Village's legal level of control. However, the Clerk/Treasurer posted appropriations to the disbursement ledger at the fund level. Furthermore, the Clerk/Treasurer did not post estimated receipts to the revenue ledger.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management's objectives are being achieved, covering operational and legal compliance, as well as financial control objectives. Monitoring controls generally are concerned with users' analysis of reports or other forms of data produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information if it conforms with the users' expectations. The lack of monitoring could result in errors or irregularities without legislative knowledge.

To use the budget as an effective management tool, we recommend the Council periodically review monthly reports comparing actual receipts and expenditures with budgeted amounts for unusual or unexpected variances. Additionally, we recommend the Clerk/Treasurer post to the Village's revenue and disbursement ledgers, all appropriations as approved by Council and estimated receipts as certified by the Budget Commission to allow for proper monitoring of budget versus actual receipts and expenditures.







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**VILLAGE OF MORRAL**

**MARION COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 10, 2002**