

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

AUDIT REPORT

For the Year Ended December 31, 2003

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



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Village Council
Village of Marshallville
7 N. Main Street
Marshallville, Ohio 44645

We have reviewed the *Report of Independent Accountants* of the Village of Marshallville, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 26, 2006

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VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Audit Report
For the year ended December 31, 2003

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REPORT OF INDEPENDENT ACCOUNTANTS

The Honorable Mayor and Members
of Village Council
Village of Marshallville
Marshallville, Ohio

We were engaged to audit the accompanying financial statements of the Village of Marshallville, Wayne County (the Village), as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the Village's management.

We were unable to obtain adequate documentation regarding the following: detail revenue and expense ledgers nor a cash journal were maintained for the first six months of the year; bank reconciliations were not prepared; and subsidiary ledgers for the income tax department were not maintained. In addition, we were unable to satisfy ourselves as to the fund balance allocation of the ending fund balances.

As described more fully in Note 1, the Village has presented 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.

Since we did not audit the financial statements of the Village referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2006, 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 do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls 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.

Charles E. Harris & Associates, Inc.
January 16, 2006

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	Governmental Fund Types			Fiduciary Fund Types	Total - Memorandum Only
	General	Special Revenue	Capital Projects	Expendable Trust	
Receipts:					
Property Taxes and Other Local Taxes	\$ 32,589	\$ 45,411	-	-	\$ 78,000
Intergovernmental Receipts	26,832	20,425	-	-	47,257
Charges for Services	-	183,469	-	-	183,469
Fines, Licenses, and Permits	3,790	-	-	-	3,790
Earnings on Investments	10,880	651	-	-	11,531
Miscellaneous	82,258	5,884	-	-	88,142
Total Receipts	156,349	255,840	-	-	412,189
Disbursements:					
Current:					
Security of Persons & Property	47,829	32,113	-	-	79,942
Leisure Time Activities	10,688	-	-	-	10,688
Transportation	12,886	17,119	-	-	30,005
General Government	112,777	-	-	\$ 2,000	114,777
Capital Outlay	-	210,047	-	-	210,047
Total Cash Disbursements	184,180	259,279	-	2,000	445,459
Excess of Receipts Over/(Under) Disbursements	(27,831)	(3,439)	-	(2,000)	(33,270)
Other Financing Sources/(Uses):					
Transfers-In	151,280	20,000	\$ 50,427	-	221,707
Transfers-Out	(20,000)	(201,707)	-	-	(221,707)
Other Sources	-	3,146	-	-	3,146
Other Uses	(8,846)	-	-	-	(8,846)
Total Other Financing Sources/(Uses)	122,434	(178,561)	50,427	-	(5,700)
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	94,603	(182,000)	50,427	(2,000)	(38,970)
Fund Balance January 1, 2003	217,543	310,991	(74,432)	135,019	589,121
Fund Balance December 31, 2003	\$ 312,146	\$ 128,991	\$ (24,005)	\$ 133,019	\$ 550,151

See accompanying Notes to the Financial Statements.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Operating Receipts:			
Charges for Services	\$ 702,688	\$ -	\$ 702,688
Total Operating Receipts	702,688	-	702,688
Operating Disbursements:			
Personal Services	183,496	-	183,496
Travel	1,645	-	1,645
Contractual Services	564,336	-	564,336
Capital Outlay	9,449	-	9,449
Total Operating Disbursements	758,926	-	758,926
Excess Operating Receipts Over/(Under) Operating Disbursements	(56,238)	-	(56,238)
Non-Operating Receipts:			
Fines and Forfeitures	-	3,790	3,790
Miscellaneous Receipts	30,028	-	30,028
Total Non-Operating Receipts	30,028	3,790	33,818
Non-Operating Disbursements			
Debt Service:			
Principal	(47,356)	-	(47,356)
Interest	(24,612)	-	(24,612)
Distribution of Fines	(2,830)	(3,790)	(6,620)
Total Non-Operating Disbursements	(74,798)	(3,790)	(78,588)
Excess of Receipts Over/(Under) Disbursements	(101,008)	-	(101,008)
Fund Balance January 1, 2003	516,305	-	516,305
Fund Balance December 31, 2003	\$ 415,297	\$ -	\$ 415,297

See accompanying Notes to the Financial Statements.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

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

B. BASIS OF ACCOUNTING

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved.)

These statements include adequate disclosure of material matters, as prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

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

D. FUND ACCOUNTING

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

1. General Fund

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

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

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

2. **Special Revenue Funds**

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

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

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

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

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Capital Improvement Fund - This fund received proceeds of grants and other funds to be used for capital improvements for the Village.

4. **Enterprise Funds**

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

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

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

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

5. Fiduciary Funds

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

Klusch Fund- This fund received money from the John and Roene A. Klusch Trust to be used for specific improvement projects within the Village.

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

E. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 budgetary activity appears in Note 3.

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

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

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

2. **EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

		<u>2003</u>
Demand Deposits	\$	800,237
Certificates of Deposit		<u>165,211</u>
Total deposits and investments	\$	<u>965,448</u>

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2003 is as follows:

<u>Fund Type</u>	<u>2003 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 190,744	\$ 307,629	\$ 116,885
Special Revenue	456,113	278,986	(177,127)
Capital Projects	54,669	50,427	(4,242)
Expendable Trust	135,284	-	(135,284)
Enterprise	<u>1,309,408</u>	<u>732,716</u>	<u>(576,692)</u>
Total	\$ <u>2,146,218</u>	\$ <u>1,369,758</u>	\$ <u>(776,460)</u>

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

3. **BUDGETARY ACTIVITY** - (continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 107,570	\$ 213,026	\$ (105,456)
Special Revenue	171,015	460,986	(289,971)
Expendable Trust	-	2,000	(2,000)
Enterprise	765,200	833,724	(68,524)
Total	\$ 1,043,785	\$ 1,513,526	\$ (469,741)

4. **PROPERTY TAX**

Real property becomes 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. **DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 157,640	0% to 3.88%
Ohio Public Works Commission Loans	333,126	0%
Wastewater System Mortgage Revenue Bonds	411,600	5.00 – 7.125%
Total	\$ 902,366	

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

VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003

5. DEBT - (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2003 are as follows:

	<u>O.P.W.C Loans</u>	<u>O.W.D.A. Loans</u>	<u>Mortgage Revenue Bonds</u>
Year Ending Dec. 31:			
2004	\$ 20,756	\$ 14,259	\$ 33,771
2005	20,756	10,736	33,327
2006	20,756	10,741	33,672
2007	20,756	10,747	34,066
2008	20,756	10,751	33,506
2009- 2013	103,771	53,577	168,415
2014- 2018	99,635	53,130	169,277
2019- 2023	25,940	29,238	142,102
2024	-	-	18,075
Total	\$ 333,126	\$ 193,179	\$ 666,211

6. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants gross salaries in 2003. The Village has paid all contributions required through December 31, 2003.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2003, two members of Village Council had elected Social Security. The Council's liability is 6.2% of wages paid.

7. TRANSFERS

The Village transferred funds from its Income Tax Fund to the General Fund and Fire Fund in accordance with its income tax distribution ordinance. All relevant Ohio Revised Code requirements were met regarding these transfers.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO
Notes to the Financial Statements
For the Year Ended December 31, 2003**

8. LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, we performed tests of compliance with provisions of local, state and/or federal laws, as applicable. The auditor's report on the Village's compliance with the Ohio Revised Code and the Ohio Administrative Code comments are included in a separate part of this presentation.

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

The Honorable Mayor and Members
of Village Council
Village of Marshallville
Marshallville, Ohio

We were engaged to audit the financial statements of the Village of Marshallville as and for the year ended December 31, 2003, and have issued our report thereon dated January 16, 2006, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State. We did not express an opinion on the financial statements because the financial records for much of the year were either in disarray or not maintained nor were we able to satisfy ourselves as to the fund balance allocation of the ending fund balances.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-Marshallville-01 through 2003-Marshallville-03.

A material weakness is a reportable 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 caused by error or fraud 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. However, we consider all the reportable conditions described above to be material weaknesses.

We also noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated January 16, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-Marshallville-01 through 05.

We also noted certain additional matters that we have reported to management in a separate letter dated January 16, 2006.

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

Charles E. Harris & Associates, Inc.
January 16, 2006

**VILLAGE OF MARSHALLVILLE
SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

Finding Number: 2003-Marshallville-01 Material Weakness and Non-Compliance Citation

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

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably 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.

**VILLAGE OF MARSHALLVILLE
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2003**

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

Finding Number: 2003-Marshallville-01 – (continued)

The Village did not properly certify the availability of funds for all of its non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify the availability of funds prior to the commitment for the expenditure of Village money. The Village should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Management Response:

Management agrees. The Village has hired a new Fiscal Officer who is in the process of correcting this item.

Finding Number: 2003-Marshallville-02 Material Weakness and Non-Compliance Citation

Ohio Revised Code Section 733.28 requires the Village Clerk-Treasurer to maintain the books of the Village and exhibit accurate statements of all monies received and expended, of all property owned by the Village and income derived therefrom, and of all taxes and assessments.

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

- Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction;
- Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund;
- Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

**VILLAGE OF MARSHALLVILLE
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2003**

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

Finding Number: 2003-Marshallville-02 – (continued)

Ohio Administrative Code Section 117-9-01 provides that villages must maintain financial records on a fund basis. This code provides suggested account classifications. Village receipts may be classified by fund and source (taxes or charges for services, for example) and disbursements may be classified by fund and program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

In 2003, the Village's prior fiscal officer did not maintain a receipt ledger, appropriation ledger or cash journal for the first six months of the year. The Village was therefore unable to monitor compliance with its amended certificate of estimated resources (which was not adopted). The Village was unable to classify its receipts by source or its disbursements by purpose for its 2003 annual report.

Management Response:

Management agrees. The Village has hired a new Fiscal Officer who is in the process of correcting this item.

Finding Number: 2003-Marshallville-03 Material Weakness and Non-Compliance Citation

Ohio Revised Code Section 149.43(A)(1) provides in part: "Public record" means any records kept by any public office, including, but not limited to, state, county, city, village, township, and school district units, with certain exceptions, including but not limited to, certain medical, adoption, probation, and parole proceeding records.

Ohio Revised Code Section 149.43(B)(1) provides, in part, that all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time.

The following records were either in disarray or not maintained and made available during the audit:

- Cash Journal, Receipt Ledger, and Appropriations Ledger for 2003;
- Monthly bank reconciliations from January 2003 to June 2003;
- Income tax records
- Construction contract records;
- Payroll timesheets

**VILLAGE OF MARSHALLVILLE
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2003**

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

Finding Number: 2003-Marshallville-03 – (continued)

The Village and the Board of Public Affairs (BPA) should develop formal procedures for the proper filing and storage of the Village and BPA public records. The procedures should include clear labeling of records, assignment of storage areas by department and assignment of personnel having access to the records. Developing such procedures will reduce the likelihood of records being misplaced and/or discarded.

Management Response:

Management agrees. The Village has hired a new Fiscal Officer who is in the process of correcting this item.

Finding Number: 2003-Marshallville-04 Non-Compliance Citation

Ohio Revised Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which each fund is established. As a result, a negative cash fund balance is an indication that revenues from other funds were used to pay the obligations of another fund. The Village had a negative fund balances in the amount of \$24,005 in its Capital Projects Fund and \$63,597 in the Income Tax Fund at December 31, 2003.

Management Response:

Management agrees. The Village has hired a new Fiscal Officer who is in the process of correcting this item.

Finding Number: 2003-Marshallville-05 Non-Compliance Citation

Expenditures Exceed Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided by such chapter. The following funds were found to have expenditures exceeding appropriations:

**VILLAGE OF MARSHALLVILLE
SCHEDULE OF FINDINGS – (continued)
DECEMBER 31, 2003**

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

Finding Number: 2003-Marshallville-05 – (continued)

Expenditures Exceed Appropriations – (continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$107,570	\$213,026	\$(105,456)
Fire Fund	21,000	229,188	(208,188)
Fire Levy Fund	3,100	7,588	(4,488)
Income Tax Fund	37,915	201,707	(163,792)
Village Hall Fund	113,000	296,593	(183,593)
Klusch Fund	0	2,000	(2,000)
Water Fund	149,350	187,816	(38,466)
Sewer Fund	135,000	193,348	(58,348)
Electric Fund	478,850	560,824	(81,974)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Management Response:

Management agrees. The Village has hired a new Fiscal Officer who will compare budgetary information on a regular basis.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid <i>Explain:</i>
2002-01	OAC 117-5 B Financial Records not maintained in proper format.	No	Not Corrected – See Finding 2003-Marshallville-002
2002-02	ORC 5705.41(D) Failure to certify funds.	No	Not Corrected. See Finding Number 2003-Marshallville-001
2002-03	ORC 5705.09 Village did not establish a fund for Issue II monies.	Yes	Finding No Longer Valid
2002-04	ORC 5705.41(B) Expenditures exceeded appropriations.	No	Not corrected. See Finding Number 2003-Marshallville-005
2002-05	5705.10 Village had a negative balance in Capital Project Fund.	No	Not corrected. See Finding Number 2003-Marsahlleville-004
2002-06	ORC 149.43(A)(1) Village did not maintain adequate records.	No	Not corrected. See Finding Number 2003-Marshallville-003
2002-07	ORC 9.38 Village did not make deposits within one business day of receipt.	Yes	Finding No Longer Valid
2002-08	ORC 117.38 Did not file annual report.	Yes	Finding No Longer Valid
2002-09	ORC 135.21 Did not post interest to proper funds.	Yes	Finding No Longer Valid
2002-10	Debt covenants not fully complied with.	Yes	Finding No Longer Valid
2002-11	Debt covenants not fully complied with.	Yes	Finding No Longer Valid
2002-12	Failure to provide reports to Council.	Yes	Finding No Longer Valid
2002-13	Failure to monitor Board of Public Affairs.	Yes	Finding No Longer Valid
2002-14	Lack of supporting documentation for non-payroll disbursements.	Yes	Finding No Longer Valid



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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
JANUARY 11, 2007**