



Dave Yost • Auditor of State

VILLAGE OF MURRAY CITY
HOCKING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Murray City
Hocking County
P.O. Box 241
Murray City, Ohio 43144-0241

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012.

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 opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, or changes in financial position thereof, for the years 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 Village of Murray City, Hocking County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, 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

August 8, 2014

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 30,074	\$ 13,260	\$ 43,334
Intergovernmental	15,355	103,239	118,594
Charges for Services	9,380		9,380
Fines, Licenses and Permits	7,586		7,586
Earnings on Investments	42	26	68
Miscellaneous	4,419		4,419
<i>Total Cash Receipts</i>	<u>66,856</u>	<u>116,525</u>	<u>183,381</u>
Cash Disbursements			
Current:			
Security of Persons and Property	32,439	10,653	43,092
Leisure Time Activities		35,924	35,924
Transportation		44,014	44,014
General Government	62,322	579	62,901
Capital Outlay	2,273		2,273
Debt Service:			
Principal Retirement		5,767	5,767
Interest and Fiscal Charges		290	290
<i>Total Cash Disbursements</i>	<u>97,034</u>	<u>97,227</u>	<u>194,261</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,178)</u>	<u>19,298</u>	<u>(10,880)</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses		(29,449)	(29,449)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(29,449)</u>	<u>(29,449)</u>
<i>Net Change in Fund Cash Balances</i>	(30,178)	(10,151)	(40,329)
<i>Fund Cash Balances, January 1</i>	<u>36,334</u>	<u>37,409</u>	<u>73,743</u>
Fund Cash Balances, December 31			
Restricted		27,258	27,258
Unassigned (Deficit)	6,156		6,156
<i>Fund Cash Balances, December 31</i>	<u>\$ 6,156</u>	<u>\$ 27,258</u>	<u>\$ 33,414</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 85,199		\$ 85,199
Fines, Licenses and Permits		\$ 7,815	7,815
<i>Total Operating Cash Receipts</i>	<u>85,199</u>	<u>7,815</u>	<u>93,014</u>
Operating Cash Disbursements			
Personal Services	9,590		9,590
Employee Fringe Benefits	4,092		4,092
Contractual Services	78,745		78,745
Supplies and Materials	4,052		4,052
Other		7,811	7,811
<i>Total Operating Cash Disbursements</i>	<u>96,479</u>	<u>7,811</u>	<u>104,290</u>
<i>Operating Income (Loss)</i>	<u>(11,280)</u>	<u>4</u>	<u>(11,276)</u>
Non-Operating Receipts (Disbursements)			
Other Debt Proceeds	35,900		35,900
Miscellaneous Receipts	6,240		6,240
Principal Retirement	(8,766)		(8,766)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>33,374</u>	<u>0</u>	<u>33,374</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	22,094	4	22,098
Capital Contributions	26,418		26,418
<i>Net Change in Fund Cash Balances</i>	48,512	4	48,516
<i>Fund Cash Balances, January 1</i>	<u>(31,908)</u>	<u>99</u>	<u>(31,809)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 16,604</u>	<u>\$ 103</u>	<u>\$ 16,707</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 28,400	\$ 12,570	\$ 40,970
Intergovernmental	15,124	61,331	76,455
Charges for Services	7,324		7,324
Fines, Licenses and Permits	8,938		8,938
Earnings on Investments	59	15	74
Miscellaneous	1,382		1,382
<i>Total Cash Receipts</i>	<u>61,227</u>	<u>73,916</u>	<u>135,143</u>
Cash Disbursements			
Current:			
Security of Persons and Property	27,891	385	28,276
Leisure Time Activities		32,631	32,631
Transportation		11,820	11,820
General Government	55,312	268	55,580
Debt Service:			
Principal Retirement	1,051	4,645	5,696
Interest and Fiscal Charges		360	360
<i>Total Cash Disbursements</i>	<u>84,254</u>	<u>50,109</u>	<u>134,363</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,027)</u>	<u>23,807</u>	<u>780</u>
<i>Fund Cash Balances, January 1</i>	<u>59,361</u>	<u>13,602</u>	<u>72,963</u>
Fund Cash Balances, December 31			
Restricted		36,939	36,939
Unassigned (Deficit)	36,334	470	36,804
<i>Fund Cash Balances, December 31</i>	<u>\$ 36,334</u>	<u>\$ 37,409</u>	<u>\$ 73,743</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 84,378		\$ 84,378
Fines, Licenses and Permits		\$7,711	7,711
Miscellaneous	26		26
<i>Total Operating Cash Receipts</i>	<u>84,404</u>	<u>7,711</u>	<u>92,115</u>
Operating Cash Disbursements			
Personal Services	10,025		10,025
Employee Fringe Benefits	2,023		2,023
Contractual Services	43,118		43,118
Supplies and Materials	3,234		3,234
Other		7,767	7,767
<i>Total Operating Cash Disbursements</i>	<u>58,400</u>	<u>7,767</u>	<u>66,167</u>
<i>Operating Income (Loss)</i>	<u>26,004</u>	<u>(56)</u>	<u>25,948</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(17,533)		(17,533)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,533)</u>	<u>0</u>	<u>(17,533)</u>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	8,471	(56)	8,415
Capital Contributions	23,568		23,568
<i>Net Change in Fund Cash Balances</i>	32,039	(56)	31,983
<i>Fund Cash Balances, January 1</i>	<u>(63,947)</u>	<u>155</u>	<u>(63,792)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (31,908)</u>	<u>\$ 99</u>	<u>\$ (31,809)</u>

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

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Murray City, Hocking County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance, water and sewer utilities, park operations, and police services. The Village appropriates general fund money to support a volunteer fire department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. Deposits

The Village invests all available funds in interest-bearing checking accounts. Interest earned is recognized and recorded when received.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Park Fund - This fund receives grants and donations to fund construction and maintenance of Village parks.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FEMA Fund – This fund receives grant money for specific FEMA approved projects.

3. 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 - This fund receives charges for services from residents to cover water service costs.

Water Debt Fund - This fund receives charges for services from residents to cover repayment of loans relating to utility projects.

4. Fiduciary Funds

Fiduciary funds include agency 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 (Mayor's Court Fund) accounts for the financial activity of the Mayor's Court.

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 Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

VILLAGE OF MURRAY CITY
HOCKING COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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 MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$50,121	\$41,934

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,000	\$66,856	\$6,856
Special Revenue	93,910	116,525	22,615
Enterprise	113,600	127,339	13,739
Total	\$267,510	\$310,720	\$43,210

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,119	\$97,659	(\$540)
Special Revenue	132,999	126,676	6,323
Enterprise	117,592	105,363	12,229
Total	\$347,710	\$329,698	\$18,012

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,600	\$61,227	(\$24,373)
Special Revenue	37,897	73,916	36,019
Enterprise	90,000	84,404	(5,596)
Total	\$213,497	\$219,547	\$6,050

20BB Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$119,496	\$84,254	\$35,242
Special Revenue	53,307	50,109	3,198
Enterprise	103,945	75,933	28,012
Total	\$276,748	\$210,296	\$66,452

Contrary to Ohio law, at December 31, 2013, appropriations exceeded estimated resources in the Street Maintenance and Construction Fund, the Water Operating Fund and the Sewer Planning Fund by \$3,303, \$13,439 and \$22,461, respectively. At December 31, 2012, appropriations exceeded estimated resources in the Parks Fund, the Fire Levy Fund, the Water Operating Fund and the Water Debt Fund by \$32,996, \$2,437, \$61,414, and \$17,533, respectively. Contrary to Ohio law, during 2013, budgetary expenditures exceeded appropriation authority in the General Fund, Parks Fund, Fire Levy Fund, and Water Operating Fund by \$540, \$4,460, \$313, and \$9,325, respectively. Also contrary to Ohio law, significant supplemental appropriations and amendments were posted to the accounting system without Village Council approval, the Village did not adopt appropriations at an acceptable legal level of control, and the Village did not approve any appropriations in 2012 until September 17, 2012. Also contrary to Ohio Law, The Village had a negative fund balance in the Water Operating Fund of \$15,284 and \$39,024 in 2013 and 2012, respectively.

4. Property Tax

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.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan Water System Renovation Design	\$473,022	0%
Ohio Water Development Authority Loan Waste Water Planning	\$22,461	0%
Fire Truck Loan	<u>2,931</u>	0
Total	<u><u>\$498,414</u></u>	

The Ohio Water Development Authority (OWDA) Water System Renovation and Design loan relates to a water system renovation project approved in 2009. The OWDA approved a total project cost of \$1,190,621 including \$665,000 in principal forgiveness using ARRA grant funding. The Village will repay the loans in semiannual installments of \$8,760, including interest, over 30 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA Waste Water Planning loan relates to a waste water project approved in 2013. The OWDA approved a total project cost of \$30,000. This loan has not been fully dispersed as of December 31, 2013, and no amortization schedule is available for its repayment.

The Village obtained a loan from First National Bank to purchase a fire truck in 2012. The loan will be repaid in semi-annual installments of \$3,028, including interest, through April 2014. This loan in uncollateralized.

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

Year ending December 31:	OWDA Water	
	System Renovation Design	Fire Truck Loan
2014	\$17,521	\$2,992
2015	17,521	
2016	17,521	
2017	17,521	
2018	17,521	
2019-2023	87,604	
2024-2028	87,604	
2029-2033	87,604	
2034-2038	87,604	
2039-2040	35,004	
Total	<u>\$473,022</u>	<u>\$2,992</u>

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. Negative Fund Balance

The Village had a negative fund balance of \$15,284 in the Water Operating Fund as of December 31, 2013. Currently, management is taking steps to reduce spending and to implement a system of accounting that will facilitate in the monitoring of the Village's finances.

9. Liabilities and Outstanding Amounts Owed

During 2013, the Township received notice that they had a delinquent outstanding account balance with the Bureau of Workers Compensation. The amount outstanding as of December 31, 2013 was \$12,154.

The Township has outstanding audit costs due to the Auditor of State's Office from past audit engagements. As of December 31, 2013, the Township owed \$8,470 to the Treasurer of State for these audit costs.

10. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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 Murray City
Hocking County
P.O. Box 241
Murray City, Ohio 43144-0241

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 Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 8, 2014, 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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2013-008 through 2013-011, described in the accompanying Schedule of Findings, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-012 described, in the accompanying Schedule of Findings, to be a significant deficiency.

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 2013-001 through 2013-010.

Entity'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

August 8, 2014

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code § 9.38 states public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day following the date of receipt.

The Water Works Department did not deposit utility receipts collected to the Fiscal Officer or into the designated depository within the required time limit for 15 percent and 46 percent of utility receipts in 2013 and 2012, respectively. Failure to deposit timely opens the receipts to theft or loss of identifying documentation.

We recommend the Water Works Department deposit receipts collected to the Fiscal Officer or designated depository on the day following the date of receipt.

Official's Response: The Village will take steps to deposit in a more timely manner.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code § 5705.10(l) states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2013, there was a negative balance of \$15,284 in the Water Operating Fund. At December 31, 2012, there was a negative balance of \$39,024 in the Water Operating Fund. Negative cash fund balances are an indication that receipts from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future disbursements in excess of available resources.

We recommend, in those cases where additional funds are required, the resources should be transferred or advanced to the fund in accordance with the Ohio Revised Code.

Official's Response: The Village will examine ways of correcting the negative balance in the Water Operating Fund.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code § 5705.38(A) provides, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget, official certificate of estimated resources, or amendments of the certificate. If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year; the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

Council did not approve the 2012 appropriation measure until September 17, 2012. As a result, all expenditures from January 1 through September 17, 2012 were made absent of the legal appropriation authority.

We recommend Council approve an annual appropriation measure by the first day of the fiscal year or approve a temporary appropriation as required.

Official's Response: The Village will approve appropriations in the proper time.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources as of December 31, 2013 as follows:

Fund	Estimated Resources	Appropriations	Variance
Street Fund	\$ 60,684	\$ 64,287	\$ (3,603)
Water Operating Fund	48,776	62,215	(13,439)
Sewer Planning Fund	12,378	34,838	(22,460)

Appropriations exceeded estimated resources as of December 31, 2012 as follows:

Fund	Estimated Resources	Appropriations	Variance
Parks Fund	\$ (6)	\$ 32,990	\$ (32,996)
Fire Levy Fund	4,413	6,850	(2,437)
Water Operating Fund	24,998	86,412	(61,414)
Water Debt Service Fund	-	17,533	(17,533)

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-004 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.39 (Continued)

Failure to limit appropriations to estimated resources can lead to overspending and negative fund balances.

We recommend the Council limit appropriations by estimated resources. We further recommend Council request an Amended Certificate of Estimated Resources when it becomes apparent that additional funding, such as grants or debt proceeds, will be received so that these amounts will be available for appropriation.

Official's Response: The Village will approve amended appropriations and revenue budgets when needed.

FINDING NUMBER 2013-005

Noncompliance Citation

Ohio Rev. Codes § 5705.40 states that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

The Fiscal Officer amended and supplemented appropriations throughout the year at the fund level (legal level of control) in the Uniform Accounting System without obtaining Council Approval. This resulted in budgeted amounts in the accounting system differing significantly from the amounts approved by Council and diminished the effectiveness of the budgetary monitoring tool.

We recommend Council approve any supplemental appropriations or amendments to appropriations affecting the legal level of control established by Council. We further recommend this approval be documented in the minute record and approved amounts be filed with the County Auditor.

Official's Response: The Fiscal Officer will present any amended and/or supplemental appropriations for Council's approval and will notify the County Auditor When this happens.

FINDING NUMBER 2013-006

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2013, total expenditures exceeded total appropriations in the General, Parks, Fire Levy and Water Operating Funds by \$540, \$4,460, \$313 and \$9,325, respectively.

Failure to limit expenditures to appropriated amounts can result in overspending and negative fund balances.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-006 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.41(B) (Continued)

We recommend Council limit expenditures to approved appropriation amounts.

Official's Response: The Fiscal Officer will present any amended and/or supplemental appropriations for Council's approval and will notify the County Auditor When this happens

FINDING NUMBER 2013-007

Noncompliance Citation

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

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in § 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 that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the 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 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal Officer may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any 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 MURRAY CITY
HOCKING COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-007 (Continued)

Noncompliance Citation - Ohio Rev. Code § 5705.41(D)(1) (Continued)

Twenty-nine percent of the transactions tested for 2012 and 26 percent of the transactions tested for 2013 were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Additionally, Council failed to set limits for its blanket certificates by resolution or ordinance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements. We further recommend Council establish a maximum amount for blanket certificates through ordinance or resolution.

Official's Response: The Fiscal Officer will use proper purchase orders as required.

FINDING NUMBER 2013-008

Noncompliance Citation and Material Weakness

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

The Village Fiscal Officer posted certain revenue and expenditures transactions incorrectly.

For the period ending December 31, 2012, the following items were noted:

General Fund:

- General Government and Beginning Fund Balance were increased \$26 to correct an understatement in Beginning Fund Balance.
- Confirmable receipts were improperly posted resulting in a decrease in Property and Other Local Taxes of \$3,117 and an increase in Intergovernmental of \$3,044.
- Mayor's Court activity was improperly posted resulting in an increase in Fines, License, and Permits of \$788.

Special Revenue Funds:

- Confirmable receipts were not properly posted resulting in a decrease in Property and Other Local Taxes of \$1,397 and an increase in Intergovernmental of \$1,470 in the Street Maintenance and Construction Fund.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-008 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

- Confirmable receipts were not properly posted resulting in a decrease in Property and Other Local Taxes of \$1,371 and an increase in Intergovernmental of \$1,371 in the Fire Levy Fund.

Proprietary Funds:

- Miscellaneous Receipts increased and Beginning Fund Balance decreased \$26 in the Water Operating Fund to correct an overstatement in Beginning Fund Balance.
- Utility mispostings resulted in an increase in Water Debt Fund Capital Contributions of \$1,800 and a decrease in the Water Operating Fund Charges for Services of \$1,800.

Agency Funds:

- Mayor's Court activity was not properly posted resulting in an increase in Fines, License, and Permits of \$6,923, an increase in Other Operating Cash Disbursements of \$7,767.
- Beginning Fund Balance was increased \$155 to correct an understatement in Beginning Fund Balance.

For the period ending December 31, 2013, the following items were noted:

General Fund:

- Confirmable receipts were improperly posted resulting in an increase in Intergovernmental of \$1,437 and an increase in Security of Persons and Property of \$1,500.

Special Revenue Funds:

- Confirmable receipts were improperly posted resulting in a decrease in Property and Other Local Taxes of \$2,306 and an increase in Intergovernmental of \$2,306 in the Street Construction and Maintenance Fund.
- On behalf activity from Hocking County Engineer was not recorded resulting in an increase in Intergovernmental of \$5,000 and an increase in Transportation of \$5,000 in the Street Construction and Maintenance Fund.
- Confirmable receipts were not properly posted resulting in a decrease in Property and Other Local Taxes of \$1,341 and an increase in Intergovernmental of \$1,341 in the Fire Levy Fund.
- Grant activity was incorrectly posted resulting in an increase in Intergovernmental of \$10,000 and a decrease in Property and Other Local Tax of \$9,937 in the Fire Marshal Grant Fund.
- Grant activity was improperly posted resulting in an increase in Intergovernmental of \$2,500 and a decrease in other Financing Uses of \$2,500 in the FEMA Fund.
- Grant activity was incorrectly posted resulting in an increase in Intergovernmental of \$33,054 and an increase in Leisure Time Activities of \$33,054 in the Parks Fund.

Proprietary Funds:

- Ohio Water Development Authority activity was improperly posted resulting in an increase in Proceeds of Debt of \$13,439 and an increase in Contractual Services of \$13,439 in the Water Operating Fund.
- FEMA reimbursements were not properly posted resulting in a decrease in Miscellaneous Receipts of \$3,840, a decrease in Personal Services of \$3,052 and a decrease in Benefits of \$788 in the Water Operating Fund.
- Ohio Water Development Authority activity was improperly posted resulting in an increase in Proceeds of Debt of \$22,461, an increase in Capital Contributions of \$7,121, and an increase in Contractual Services of \$15,340 in the Sewer Planning Fund.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-008 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin Code § 117-2-02(A) (Continued)

Agency Funds:

- Mayor's Court activity was not properly posted resulting in an increase in Fines, License, and Permits of \$7,815 and an increase in Other Operating Cash Disbursements of \$7,811.

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2013:

Fund	Unaudited 12/31/2013 fund balance	Net Increase/ (Decrease)	Audited 12/31/2013 fund balance
General Fund	\$ 5,504	\$ 652	\$ 6,156
Marshal Grant Fund	-	63	63
Street Maintenance and Construction Fund	23,426	73	23,499
Water Operating Fund	(13,484)	(1,800)	(15,284)
Water Debt Fund	10,988	1,800	12,788
Mayor's Court Fund	788	(685)	103

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Village's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to Appendix A of the Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Official's Response: The Fiscal Officer will use proper accounts when entering receipts.

FINDING NUMBER 2013-009

Noncompliance Citation and Material Weakness

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2013, estimated resources as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts, per System	Estimated Receipts, as Adopted	Variance
General Fund	\$ 70,000	\$ 60,000	\$ 10,000
Street Fund	30,000	26,697	3,303
Fire Levy Fund	6,745	7,870	(1,125)

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-009 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin. Code § 117-2-02(C)(1) (Continued)

At December 31, 2013, appropriations as approved by Village Council did not agree to the Village's accounting system for the following funds:

Fund	Appropriations per System	Appropriations as Adopted	Variance
General Fund	\$ 105,534	\$ 95,619	\$ 9,915
Street Fund	28,325	64,287	(35,962)
State Highway Fund	3,000	3,554	(554)
Water Operating Fund	96,011	62,215	33,796
Sewer Planning Fund	-	34,838	(34,838)
Water Debt Service Fund	20,000	20,539	(539)

At December 31, 2012, estimated resources as approved by the Budget Commission did not agree to the Village's ledgers for the following funds:

Fund	Estimated Receipts, per System	Estimated Receipts, as Adopted	Variance
General Fund	\$ 60,725	\$ 85,600	\$ (24,875)
Street Fund	22,025	28,447	(6,422)
State Highway Fund	135	3,000	(2,865)
Parks Fund	32,990	-	32,990
Fire Levy Fund	150	6,450	(6,300)
Water Debt Service Fund	18,072	-	18,072

At December 31, 2012, appropriations for the Parks Special Revenue Fund, as approved by Council, were \$371 more than the amount posted to the accounting system.

Because the budgetary information posted to the accounting system differed from the amounts formally approved, Council lost some degree of control and was unable to effectively monitor and report its budget vs. actual status throughout the year.

We recommend the Fiscal Officer accurately post estimated receipts, as certified by the County Budget Commission, and appropriations, as approved by Council, to the accounting system to help ensure more useful comparisons of budget to actual activity and provide management with an accurate monitoring tool.

Official's Response: The Village will formally approve amendments to the appropriation resolution.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-010

Noncompliance Citation and Material Weakness

Ohio Admin. Code § 117-2-02(D)(4)(b)(ii) states that all local public offices should maintain or provide accounting records including utility billing records. Utility billing records include an accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and noncash adjustments, each maintained by date and amount.

The Village did not provide usage files or individual customer account balances for 51 percent of transactions tested in 2012 due to a failure in the accounting record system used. This resulted in a failure to provide adequate supporting documentation for \$55,267 of Enterprise Fund Charges for Services in 2012.

We recommend Council and Fiscal Officer ensure adequate supporting documentation is maintained for all transactions of the Village.

Official's Response: The Village has purchased utility billing software and will be able to maintain its utility records.

FINDING NUMBER 2013-011

Material Weakness

Management has a key role to play in ensuring the Village establishes and maintains effective internal controls. The small size of the Village's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. It is therefore important that Council monitor financial activity closely. When designing the public office's system of internal control and the specific control activities,

Management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Ensure that accounting records are properly designed;
- Ensure adequate security of assets and records;
- Plan for adequate segregation of duties or compensating controls;
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records;
- Perform analytical procedures to determine the reasonableness of financial data;
- Ensure the collection and compilation of data needed for the timely preparation of financial statements; and,
- Monitor activities performed by service organizations.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

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

FINDING NUMBER 2013-011 (Continued)

Material Weakness - Monitoring (Continued)

During 2013 and 2012, Council did not consistently review and/or approve bank reconciliations or financial reports (including comparisons of budget and actual information or detailed receipt and expenditure activity). Further, no processes exist to identify unusual fluctuations between accounts or between fiscal years. The insufficiency of financial information provided to the Council for monthly review hampers the Council's ability to effectively monitor the financial activity and position of the Village. The lack of controls over expenditures and financial reporting adversely affected the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis.

We recommend Council become more actively involved in monitoring the financial activity of the Village. This includes Council reviewing and accepting/approving the monthly financial information provided by the Fiscal Officer including comparisons of budget and actual information, fund balances, and receipt and expenditure activity. The review of this information should be noted in the Council meeting minutes. We further recommend Council ensure the Fiscal Officer performs monthly bank reconciliations. Council should review the validity of the computations and attest to their accuracy. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

Official's Response: The Village Council will become more involved in monitoring financial activity.

FINDING NUMBER 2013-012

Significant Deficiency

AOS Audit Bulletin 96-006 requires electronically imaged checks include the reverse side, and it must be clear to auditors which back side of a check matches the front side. AOS Audit Bulletin 2004-010 addresses the impact of Check 2000 regarding the elimination of cancelled checks.

Citizens' Bank provided electronic images of checks with the Village's bank statements. However, it did not include images of the reverse side of these checks. The electronically imaged checks, without the reverse side, do not provide sufficient evidential matter and resulted in the Village being unable to verify that these checks were redeemed by the intended recipients.

We recommend the Fiscal Officer contact Citizens' Bank and request the monthly bank statements include the reverse side of check images.

Official's Response: The Village will ask its bank to provide images of the backs of checks.

**VILLAGE OF MURRAY CITY
HOCKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Noncompliance and material weakness: Ohio Admin. Code §117-2-02 for not maintaining public records.	No	Not corrected. Repeated in the current audit as Finding 2013-010.
2011-002	Noncompliance: Ohio Rev. Code §5705.10 for carrying negative cash balances.	No	Not corrected. Repeated in the current audit as Finding 2013-002.
2011-003	Noncompliance and material weakness: Ohio Rev. Code §5705.41(D) for failure to encumber funds prior to obligation.	No	Not corrected. Repeated in the current audit as Finding 2013-007.
2011-004	Material weakness for delinquent income tax withholding remittances and lack of supporting documentation.	No	Partially corrected. Repeated in a separate letter to management.
2011-005	Material weakness for not issuing Form 1099-MISC to contractors earning more than \$600 in a calendar year.	Yes	N/A
2011-006	Material weakness for failure to file Form W-2 for all employees receiving compensation.	Yes	N/A
2011-007	Noncompliance: Ohio Rev. Code §731.13 for failure to document the established salaries for the elected officials and employees.	Yes	N/A
2011-008	Noncompliance: Ohio Rev. Code §5705.36(A)(2) for actual receipts falling significantly short of estimates with no budgetary amendments.	Yes	N/A
2011-009	Noncompliance: Ohio Rev. Code §5705.41(B) for expenditures exceeding appropriations.	No	Not corrected. Repeated in the current audit as Finding 2013-006.
2011-010	Material weakness for lack of segregation of duties and the absence of Council monitoring.	No	Not corrected. Repeated in the current audit as Finding 2013-011.

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Dave Yost • Auditor of State

VILLAGE OF MURRAY CITY

HOCKING 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
AUGUST 28, 2014