

VILLAGE OF MARSHALLVILLE

WAYNE COUNTY, OHIO

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2020 & 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Marshallville
7 North Main Street
Marshallville, Ohio 44645

We have reviewed the *Independent Auditor's Report* of the Village of Marshallville, Wayne County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2020. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2021

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**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor’s Report	1 - 2
Financial Statements:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2020	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type For the Year Ended December 31, 2020	4
Statement of Additions, Deductions, and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type For the Year Ended December 31, 2020	5
Notes to the Financial Statements – For the Year Ended December 31, 2020.....	6 - 15
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019	16
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – Proprietary Fund Type and Fiduciary Fund Type For the Year Ended December 31, 2019	17
Notes to the Financial Statements – For the Year Ended December 31, 2019.....	18 - 25
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 - 27
Schedule of Findings and Responses.....	28 - 33
Summary Schedule of Prior Audit Findings.....	34

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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Marshallville, Wayne County, Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village of Marshallville's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Marshallville's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Marshallville, as of December 31, 2020 and 2019, or changes in net position, or cash flows thereof for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total as of and for the year ended December 31, 2020 and for each governmental, proprietary and fiduciary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Marshallville, in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2.

Emphasis of Matters

As described in Note 13 to the financial statements, for the year ended December 31, 2020, the Village of Marshallville adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. As described in Note 14 to the financial statements, for the year ended December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the the Village of Marshallville. As discussed in Note 14 to the financial statements for the year ended December 31, 2019, during 2019, the Village of Marshallville adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021 on our consideration of the Village of Marshallville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Marshallville's 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 of Marshallville's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 30, 2021

Village of Marshallville, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$44,383	\$15,296	\$0	\$59,679
Municipal Income Tax	99,398	0	10,927	110,325
Intergovernmental	22,986	106,016	0	129,002
Charges for Services	595	0	0	595
Fines, Licenses and Permits	8,816	0	0	8,816
Earnings on Investments	312	0	0	312
Miscellaneous	1,702	630	0	2,332
<i>Total Cash Receipts</i>	<u>178,192</u>	<u>121,942</u>	<u>10,927</u>	<u>311,061</u>
Cash Disbursements				
Current:				
Security of Persons and Property	53,089	12,815	0	65,904
Public Health Services	129	996	0	1,125
Leisure Time Activities	2,460	0	0	2,460
Transportation	3,207	41,567	0	44,774
General Government	73,162	19,286	0	92,448
Capital Outlay	0	0	7,625	7,625
<i>Total Cash Disbursements</i>	<u>132,047</u>	<u>74,664</u>	<u>7,625</u>	<u>214,336</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>46,145</u>	<u>47,278</u>	<u>3,302</u>	<u>96,725</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(1,055)	0	0	(1,055)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,055)</u>	<u>0</u>	<u>0</u>	<u>(1,055)</u>
<i>Net Change in Fund Cash Balances</i>	45,090	47,278	3,302	95,670
<i>Fund Cash Balances, January 1</i>	<u>134,726</u>	<u>147,807</u>	<u>38,508</u>	<u>321,041</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$179,816</u></u>	<u><u>\$195,085</u></u>	<u><u>\$41,810</u></u>	<u><u>\$416,711</u></u>

See accompanying notes to the financial statements

Village of Marshallville, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2020

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$1,207,229
Miscellaneous	7,739
	1,214,968
Operating Cash Disbursements	
Personal Services	158,381
Contractual Services	748,495
Supplies and Materials	156,342
	1,063,218
<i>Total Operating Cash Receipts</i>	<i>1,214,968</i>
<i>Operating Income (Loss)</i>	<i>151,750</i>
Non-Operating Receipts (Disbursements)	
Capital Outlay	(24,360)
Principal Retirement	(100,225)
Interest and Other Fiscal Charges	(9,184)
Other Financing Sources	6,200
Other Financing Uses	(5,850)
	(133,419)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(133,419)</i>
<i>Net Change in Fund Cash Balances</i>	<i>18,331</i>
<i>Fund Cash Balances, January 1</i>	<i>274,372</i>
<i>Fund Cash Balances, December 31</i>	<i>\$292,703</i>

See accompanying notes to the financial statements

Village of Marshallville, Ohio
Wayne County
Statement of Additions, Deductions
and Changes in Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2020

	Fiduciary Fund Type
	Custodial
Additions	
Fines, Licenses and Permits for Distribution	\$4,221
<i>Total Additions</i>	4,221
Deductions	
Distributions to Other Governments	969
Distributions to Other Funds (Primary Gov't)	58
<i>Total Deductions</i>	1,027
<i>Net Change in Fund Balances</i>	3,194
<i>Fund Cash Balances, January 1</i>	\$42
<i>Fund Cash Balances, December 31</i>	\$3,236

See accompanying notes to the financial statements

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Marshallville, Wayne County, Ohio (the Village) as a body corporate and politic. A publicly- elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, park operations, and police.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization and public entity risk pools. Notes 6, 11, and 16 to the financial statements provides additional information for these entities. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction Maintenance and Repair

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

COVID-19 Fund

The fund accounts for and reports CARES monies received that were either spent on behalf of another government or for appropriate uses.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Capital Outlay Fund

This fund receives a portion of income tax receipts. The proceeds are being used for capital disbursements.

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

Water Fund

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

Sewer Fund

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

Electric Fund

The electric fund accounts for the provision of electric distribution to the residents and commercial users located within the Village.

Fiduciary Funds Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for Mayor's Court activity.

For regulatory purposes, certain own source revenues are permitted to flow through clearing funds presented as custodial funds. The amounts distributed to the other funds of the entity are identified on the combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all fiduciary fund types. Also, for regulatory purposes, certain deposits and clearing funds are permitted to be presented as custodial funds.

Basis of Accounting

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

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

<u>Fund Type</u>	<u>2020 Budget vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 313,050	\$ 178,192	\$ (134,858)
Special Revenue	118,850	121,942	3,092
Capital Projects	2,000	10,927	8,927
Enterprise	1,266,000	1,221,168	(44,832)
Custodial	<u>14,000</u>	<u>4,221</u>	<u>\$ (9,779)</u>
TOTAL	<u>\$ 1,713,900</u>	<u>\$ 1,536,450</u>	<u>\$ (177,450)</u>

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 258,510	\$ 133,102	\$ 125,408
Special Revenue	138,150	74,664	63,486
Capital Projects	-	7,625	(7,625)
Enterprise	1,236,800	1,202,837	33,963
Custodial	16,600	1,027	15,573
TOTAL	\$ 1,650,060	\$ 1,419,255	\$ 230,805

Note 4 – Deposits

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits.

A summary of the Village’s deposit account is as follows:

Demand deposits	<u>2020</u> \$712,650
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

Note 6 – Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$ 14,111,510

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include post employment health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 9 - Debt

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest Rate
OWDA - 3225 Waterline Replacement	\$2,590	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	\$5,266	2.00%
OWDA - 5429 WWTP Improvements	\$310,485	0.00%
OWDA - 8236 Asset Management Plan	\$15,423	0.00%
Farmers State Bank Electric Distribution System Note	\$60,000	4.00%
OPWC - CT70T SR 94 Main St. Waterline Replacement	\$8,845	0.00%
OPWC - CP17C Waterline Replacement Project Phase I	\$2,584	0.00%
OPWC - CP20D Waterline Replacement Project Phase 2	\$10,914	0.00%
Capmark Mortgage Revenue - #01-049500-1	\$52,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	\$9,900	7.13%
Capmark Mortgage Revenue - #01-049500-5	\$20,200	5.00%
Total	\$498,207	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer system improvements. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Electric Distribution System Note was for improvements to the Village's electric distribution system. The loan is renewable each year. The loan will be paid with revenues derived from electric utility charges for services receipts. The Ohio Public Works Commission (OPWC) loans were for water and sewer projects. The Mortgage Revenue Bonds were for various water improvement projects. These issues will be retired by water revenues. The Village has agreed to set utility rates in amounts sufficient to cover debt requirements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Amortization

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

Year ending December 31:	Farmers State Bank Electric Distribution System	OPWC Loans	Mortgage Revenue Bonds
	OWDA Loans		
2021	\$43,429	\$22,400	\$10,365
2022	35,455	21,600	4,143
2023	35,455	20,800	505
2024	33,252	0	505
2025	31,049	0	505
2026-2030	155,243	0	2,527
2031-2035	0	0	2,527
2036-2038	0	0	1,267
Total	<u>\$333,883</u>	<u>\$64,800</u>	<u>\$22,343</u>

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. 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.

Note 11 – Jointly Governed Organizations

The East Wayne Fire District (District) is a jointly governed organization of 3 government entities, created as a fire district under State statute. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member, and in addition, on a rotating basis, an at-large member is appointed. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

The Village had no outstanding encumbrances at December 31, 2020.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund is restricted, committed, or assigned. These restricted, committed and assigned amounts in the special revenue, and capital project funds would include the outstanding encumbrances, if applicable. In the general fund, outstanding encumbrances are considered assigned, if applicable.

Note 13 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- Fiduciary Fund Type, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, approximately \$14,000 was spent on-behalf of other governments. These amounts are reflected as general government disbursements in the COVID-19 special revenue fund on the accompanying financial statements.

Note 15 – Noncompliance

- The Village was in noncompliance with Ohio Revised Code Section 5705.09(F) which requires establishment of a special fund for each class of revenues derived from a source other than the general property tax which the law requires to be used for a particular purpose.
- The Village was in noncompliance with Ohio Revised Code Section 5705.38(C) which requires minimum levels of budgetary control.
- The Village was in noncompliance with Ohio Revised Code Section 5735.28 which requires certain receipts to be posted to the state highway fund, if applicable.
- The Village was in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40 for disbursements exceeding appropriations at year end and throughout the year.
- The Village was in noncompliance with Ohio Revised Code Sections 5705.10(I) which requires money paid into any fund shall be used only for the purpose for which such fund is established, Ohio Revised Code Section 5727.81 which describes the requirements for excise tax levied on electric distribution companies, and Ohio Revised Code Section 5705.10(D) which requires that revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 16 - Public Entity Risk Pool

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

Note 17 – Subsequent Event

The Village established a \$178,596 loan from OWDA in July 2021. No disbursements have been made as of the date of this report.

Village of Marshallville, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$44,768	\$15,459	\$0	\$60,227
Municipal Income Tax	100,469	0	10,617	111,086
Intergovernmental	22,250	48,484	0	70,734
Charges for Services	2,845	0	0	2,845
Fines, Licenses and Permits	18,409	1,166	0	19,575
Earnings on Investments	869	0	0	869
Miscellaneous	2,644	969	0	3,613
<i>Total Cash Receipts</i>	<u>192,254</u>	<u>66,078</u>	<u>10,617</u>	<u>268,949</u>
Cash Disbursements				
Current:				
Security of Persons and Property	56,080	12,844	0	68,924
Public Health Services	1,460	0	0	1,460
Leisure Time Activities	2,545	0	0	2,545
Transportation	0	88,836	0	88,836
General Government	89,593	2,373	0	91,966
Capital Outlay	0	0	1,500	1,500
<i>Total Cash Disbursements</i>	<u>149,678</u>	<u>104,053</u>	<u>1,500</u>	<u>255,231</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>42,576</u>	<u>(37,975)</u>	<u>9,117</u>	<u>13,718</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(3,565)	0	0	(3,565)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,565)</u>	<u>0</u>	<u>0</u>	<u>(3,565)</u>
<i>Net Change in Fund Cash Balances</i>	39,011	(37,975)	9,117	10,153
<i>Fund Cash Balances, January 1</i>	<u>95,715</u>	<u>185,782</u>	<u>29,391</u>	<u>310,888</u>
Restricted	0	147,807	0	147,807
Committed	0	0	38,508	38,508
Unassigned (Deficit)	134,726	0	0	134,726
<i>Fund Cash Balances, December 31</i>	<u>\$134,726</u>	<u>\$147,807</u>	<u>\$38,508</u>	<u>\$321,041</u>

See accompanying notes to the financial statements

Village of Marshallville, Ohio
Wayne County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type and Fiduciary Fund Type
For the Year Ended December 31, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Custodial	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,230,803	\$0	\$1,230,803
Miscellaneous	15,385	0	15,385
<i>Total Operating Cash Receipts</i>	<u>1,246,188</u>	<u>0</u>	<u>1,246,188</u>
Operating Cash Disbursements			
Personal Services	172,242	0	172,242
Other Operating	381	0	381
Contractual Services	761,032	0	761,032
Supplies and Materials	148,548	0	148,548
<i>Total Operating Cash Disbursements</i>	<u>1,082,203</u>	<u>0</u>	<u>1,082,203</u>
<i>Operating Income (Loss)</i>	<u>163,985</u>	<u>0</u>	<u>163,985</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	28,443	0	28,443
Sale of Notes	4,780	0	4,780
Capital Outlay	(30,401)	0	(30,401)
Principal Retirement	(103,004)	0	(103,004)
Interest and Other Fiscal Charges	(11,598)	0	(11,598)
Other Financing Sources	7,200	10,624	17,824
Other Financing Uses	(8,231)	(12,854)	(21,085)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(112,811)</u>	<u>(2,230)</u>	<u>(115,041)</u>
<i>Net Change in Fund Cash Balances</i>	51,174	(2,230)	48,944
<i>Fund Cash Balances, January 1</i>	<u>223,198</u>	<u>2,272</u>	<u>225,470</u>
<i>Fund Cash Balances, December 31</i>	<u>\$274,372</u>	<u>\$42</u>	<u>\$274,414</u>

See accompanying notes to the financial statements

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Marshallville Wayne County, Ohio (the Village) as a body corporate and politic. A publicly- elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, park operations, and police.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in a jointly governed organization and public entity risk pools. Notes 7, 8, and 9 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street, Construction, Maintenance, and Repair Fund

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

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

Capital Outlay Fund

This fund receives a portion of income tax receipts. The proceeds are being used for capital disbursements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 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.

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

Fiduciary Funds Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Village's custodial fund accounts for Mayor's Court activity.

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

A summary of 2019 budgetary activity appears in Note 3.

Fund Balance

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

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

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

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

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

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

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.

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

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

Deposit and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the years ending December 31, 2019:

2019 Budget vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 254,200	\$ 192,254	\$ (61,946)
Special Revenue	38,800	66,078	27,278
Capital Projects	15,000	10,617	(4,383)
Enterprise	1,199,100	1,286,611	87,511
Custodial	<u>25,400</u>	<u>10,624</u>	<u>\$ (14,776)</u>
TOTAL	<u><u>\$ 1,532,500</u></u>	<u><u>\$ 1,566,184</u></u>	<u><u>\$ 33,684</u></u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 264,200	\$ 153,243	\$ 110,957
Special Revenue	46,300	104,053	(57,753)
Capital Projects	15,000	1,500	13,500
Enterprise	1,289,100	1,235,437	53,663
Custodial	<u>20,000</u>	<u>12,854</u>	<u>\$ 7,146</u>
TOTAL	<u><u>\$ 1,634,600</u></u>	<u><u>\$ 1,507,087</u></u>	<u><u>\$ 127,513</u></u>

Note 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 Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 - Local Income Tax

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

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

Note 6 - Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019 OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Note 7 - Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Jointly Governed Organization

The East Wayne Fire District (District) is a jointly governed organization of 3 government entities, created as a fire district under State statute. A four-member Board of Trustees governs the District. Each political subdivision within the District appoints one member, and in addition, on a rotating basis, an at-large member is appointed. The District provides fire protection and rescue services within the District and by contract to areas outside the District.

Note 9 - Public Entity Risk Pool

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

Note 10 - 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:

	<u>2019</u>
Demand deposits	\$595,455

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 11 – Post Employment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 - Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - 3225 Waterline Replacement	\$7,623	3.88%
OWDA - 3405 Phase 2 Waterline Replacement	\$10,428	2.00%
OWDA - 5429 WWTP Improvements	\$341,533	0.00%
OWDA - 8236 Asset Management Plan	\$19,829	0.00%
Farmers State Bank Electric Distribution System Note	\$80,000	4.00%
OPWC - CT70T SR 94 Main St. Waterline Replacement	\$9,098	0.00%
OPWC - CP17C Waterline Replacement Project Phase I	\$5,167	0.00%
OPWC - CP20D Waterline Replacement Project Phase 2	\$14,552	0.00%
Capmark Mortgage Revenue - #01-049500-1	\$76,000	5.00%
Capmark Mortgage Revenue - #01-049500-3	\$11,200	7.13%
Capmark Mortgage Revenue - #01-049500-5	\$23,000	5.00%
Total	<u>\$598,430</u>	

The Ohio Water Development Authority (OWDA) loans relate to water and sewer system improvements. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Electric Distribution System Note was for improvements to the Village's electric distribution system. The loan is renewable each year. The loan will be paid with revenues derived from electric utility charges for services receipts. The Ohio Public Works Commission (OPWC) loans were for water and sewer projects. The Mortgage Revenue Bonds were for various water improvement projects. These issues will be retired by water revenues. The Village has agreed to set utility rates in amounts sufficient to cover debt requirements.

Village of Marshallville, Ohio
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year ending December 31:	Farmers State Bank Electric Distribution System	OPWC Loans	Mortgage Revenue Bonds
	OWDA Loans		
2020	\$46,025	\$23,200	\$6,474
2021	\$43,429	\$22,400	\$10,365
2022	\$35,455	\$21,600	\$4,143
2023	\$35,455	\$20,800	\$505
2024	\$33,252	\$0	\$505
2025-2029	\$155,243	\$0	\$2,527
2030-2034	\$31,048	\$0	\$2,527
2035-2038	\$0	\$0	\$1,771
Total	<u>\$379,907</u>	<u>\$88,000</u>	<u>\$28,817</u>

Note 13 - Noncompliance

- The Village is in noncompliance with Ohio Revised Code Section 5705.36 for not certifying(recertifying) to the County audited balances at the beginning of the year.
- The Village is in noncompliance with Ohio Revised Code Section 5705.38(C) for not appropriating at the minimum legal level.
- The Village is in noncompliance with Ohio Revised Code Section 5735.28 for not properly allocating certain required funds to the state highway fund.
- The Village is in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40 for having disbursements in excess of appropriations at year end and throughout the year.
- The Village was in noncompliance with Ohio Revised Code Sections 5705.10(I) which requires money paid into any fund shall be used only for the purpose for which such fund is established, Ohio Revised Code Section 5727.81 which describes the requirements for excise tax levied on electric distribution companies, and Ohio Revised Code Section 5705.10(D) which requires that revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

Note 14 - Change in Accounting Principle

For 2019, the Village has implemented GASB Statement No. 84, “Fiduciary Activities.” GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities. Due to the implementation of GASB 84, the Village will no longer be reporting agency funds. The Village reviewed its fiduciary funds and certain funds will be reported in the new fiduciary classification of custodial funds. This implementation required did not require any restatement of fund balances.

**Independent Auditor's 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***

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

To the Village Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type and the fiduciary fund type combined total of the Village of Marshallville, Wayne County, Ohio, as of and for the year ended December 31, 2020 and for each governmental, proprietary, and fiduciary fund type as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated August 30, 2021, wherein we noted as described in Note 2 to the financial statements, the Village of Marshallville followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as discussed in Note 13 to the financial statements, for the year ended December 31, 2020 the Village of Marshallville adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. Additionally, as described in Note 14 to the financial statements, for the year ended December 31, 2020 the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village of Marshallville. Lastly, as discussed in Note 14 to the financial statements for the year ended December 31, 2019, during 2019, the Village of Marshallville adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Marshallville's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Marshallville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Marshallville's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001, 2020-003 through 2020-005, and 2020-008 that we consider to be material weaknesses.

Village of Marshallville

Wayne County

Independent Auditor's 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*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Marshallville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and responses as items 2020-002 through 2020-008.

Village of Marshallville's Responses to Findings

The Village of Marshallville's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Village of Marshallville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Marshallville's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Marshallville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

August 30, 2021

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions. Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information.

The following adjustments were made to the financial statements for the years ended December 31, 2020 and 2019, respectively.

2020:

- General Fund miscellaneous receipts were decreased \$51,150, general government disbursements were decreased in the amount of \$17,994, public health services were decreased \$996, and cash was decreased \$32,160, Special Revenue Computer fund general government disbursements was decreased \$45 and cash was increased \$45, and Special Revenue Fund COVID-19 fund intergovernmental receipts were increased \$51,150, public health services disbursements were increased \$996, general government disbursements were increased \$18,039, and cash was increased in the amount of \$32,115 due to the Village not creating a special revenue fund for the receipt and disbursement of COVID-19 monies from the County.
- Special Revenue Fund Street Construction, Maintenance, and repair fund intergovernmental receipts were decreased \$4,178, property and other local tax receipts were increased \$3,725, and cash was decreased \$453, and Special Revenue Fund State Highway property and other local tax receipts was increased \$302, intergovernmental receipts were increased \$151, and cash was increased \$453 due to improperly recording permissive tax receipts.
- General fund intergovernmental receipts and cash were decreased \$5,705, and Special Revenue Street, Construction Maintenance, and Repair intergovernmental receipts and cash were increased \$5,277, and Special Revenue Fund State Highway intergovernmental receipts and cash were increased \$428 to properly record motor vehicle license tax receipts.
- General fund transfers out and income tax receipts were decreased \$10,927, and Capital Projects fund transfers in and income tax receipts were increased \$10,927 to record the specific revenue source.
- General fund property and other local taxes and cash were increased \$20,533 and Enterprise fund Electric Operating charges for services receipts and cash were decreased \$20,533, due to the Village not properly remitting to the General fund the inside kilowatt tax amounts for all of 2020.

2019:

- General Fund beginning cash balance was decreased \$17,150 and property and other local tax receipts were increased \$3,850, Intergovernmental receipts increased \$11,072, and fines, licenses, and permits was increased \$2,228. Special Revenue fund street, construction, maintenance, and repair beginning cash fund balance was increased \$11,072, and intergovernmental receipts was decreased \$11,072, Special Revenue Fire fund beginning cash balance was increased \$3,850, and property and other local tax receipts was decreased \$3,850. Custodial Mayor’s Court fund beginning cash balance was increased \$2,229, and other financing receipts was decreased \$2,229. These adjustments were to properly record prior year audit adjustments.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2020-001 – (Continued)

- General fund intergovernmental receipts and cash were decreased \$1,874 and Special Revenue Fire fund intergovernmental receipts and cash were increased \$1,874 due to improperly recording homestead and rollback receipts.
- General fund property and other local taxes and cash were increased \$20,717 and Enterprise fund Electric Operating charges for services receipts and cash were decreased \$20,717, due to the Village not properly remitting to the General fund the inside kilowatt tax amounts for all of 2019.
- General fund intergovernmental receipts and cash were decreased \$3,807, special revenue street construction, maintenance, and repair intergovernmental receipts and cash were increased \$1,789 and special revenue state highway intergovernmental receipts and cash were increased \$2,018 due to improperly recording gasoline tax and motor vehicle license tax receipts.
- General fund intergovernmental receipts and cash were decreased \$4,882, special revenue street construction maintenance and repair fund intergovernmental receipts were increased \$369 and property and other local tax receipts were increased \$4,024, and cash was increased \$4,393, and special revenue state highway fund property and other local tax receipts were increased \$326, intergovernmental receipts were increased \$163, and cash was increased \$489, related to improperly posting of permissive tax receipts.
- General fund transfers out and income tax receipts were decreased \$10,617, and Capital Projects fund transfers in and income tax receipts were increased \$10,617 to record the specific revenue source.
- Capital project fund assigned fund balance was decreased \$38,508 and committed fund balance was increased \$38,508 to properly record funds committed by the Village income tax ordinance.

The amounts have been adjusted to the Village's financial statements and accounting ledgers.

Control procedures not properly developed related to the financial statements limit management's ability to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes. Additionally, management will not have the necessary information to make timely and well-informed business decisions.

We recommend the Village implement additional control procedures that enable management to more timely prevent or detect and correct potential misstatements in the financial statements and related notes prior to presenting them to the auditors. A second review of the monthly cash activity and financial statements by someone other than the individual preparing them would be beneficial.

Client Response: The Village Fiscal Officer will more closely examine HINKLE filed report prior to filing and will consider above adjustments in future years.

Finding Number	2020-002
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Noncompliance

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not properly certify audited unencumbered fund balances at January 1, 2019.

Not properly certifying its audited balances to the appropriate authorities as required by law could inhibit the Village's budgeting process.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2020-002 – (Continued)

We recommend the Village consult the Ohio Compliance Supplement, the Village Officer’s Manual and its auditors to ensure that Village fund balances agree to audited reports. This will facilitate the Village’s appropriation process.

Client Response: The Village is attempting to verify balances agree to audited reports and submit revised information to the County if applicable.

Finding Number	2020-003
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Material Weakness/Noncompliance – Coronavirus Relief Funds

Ohio Rev. Code 5705.09(F) provides that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2020, Coronavirus Aid, Relief and Economic Security (CARES) receipts and disbursements were posted to the General Fund, and Special Revenue – Court Computer fund, instead of properly establishing a Special Revenue CARES Fund.

Not posting monies to the proper fund could result in disbursements being made that are not allowable based on the restrictions of the fund.

The Village should refer to the Village Officer’s Handbook for guidance for the proper establishment of new funds. Also, the Village should refer to Ohio Auditor of State website for guidance on accounting for CARES monies.

Client Response: The Village Fiscal Officer will review the Village Officer’s Handbook and the Ohio Auditor of State’s website for guidance on the establishment of new funds and CARES monies.

Finding Number	2020-004
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Material Weakness/Noncompliance – Legal Level of Control

Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

For 2019 and 2020 appropriations were approved at the Fund/Department level for the general fund and at the fund level for all other funds.

Not appropriating at the legal level of control inhibits the Council’s ability to appropriately monitor appropriations and spending. It also does not meet the requirements of the applicable Ohio Revised Code Section.

We recommend the Council approve annual and subsequent appropriations at the appropriate legal level as required by the Ohio Revised Code. This will enable the Council to appropriately monitor spending.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2020-004 – (Continued)

Client Response: We will approve appropriations at the minimum legal level for 2022.

Finding Number	2020-005
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Material Weakness/Noncompliance - Revenue Posting Error

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

For 2019 and 2020, the Village did not credit the State Highway Fund seven and one-half percent of their gasoline excise tax, permissive motor vehicle license and motor vehicle license receipts for certain receipts, amounts are included in Finding 2020-001.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. It also could cause the Village to expend money for unallowed expenditures.

The Village should ensure gasoline excise tax, permissive motor vehicle license and motor vehicle license receipts are being posted to the correct funds.

Client Response: A procedure has been put in place to properly allocate the respective receipt types.

Finding Number	2020-006
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Noncompliance – Disbursements in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision is to expend money unless it has been appropriated.

The Village had disbursements exceeding appropriations for the year ending December 31, 2020 in the following Fund Type/Funds:

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2020-006 – (Continued)

Fund Type/Fund	Total Disbursements	Total Appropriations	Deficit
Capital Projects/Capital Outlay Fund	\$ 7,625	\$ -	\$ (7,625)

The Village had disbursements exceeding appropriations for the year ending December 31, 2019 in the following Fund Type/Funds:

Fund Type/Fund	Total Disbursements	Total Appropriations	Deficit
<u>Special Revenue Fund:</u>			
Street Construction, Maintenance and Repair	\$ 85,450	\$ 25,200	\$ (60,250)
<u>Enterprise Fund:</u>			
Water	\$ 241,183	\$ 237,400	\$ (3,783)

With disbursements exceeding appropriations, the Village is expending monies that have not been appropriated and approved by the Council. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: We are attempting to monitor the budget more closely to ensure appropriations do not exceed disbursements in the future. We will also ensure all amounts are properly reported to the County Budget Commission to ensure all activity is properly budgeted.

Finding Number	2020-007
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Noncompliance – Amended and Supplemental Appropriations

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section states that any amendments to an appropriation measure be made by Council resolution and comply with the same provisions of the law as used in making the original appropriations.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2020-007 – (Continued)

By not timely and properly modifying the Village’s appropriations in 2020 and 2019, the Village is not adequately monitoring appropriations versus disbursements. With disbursements exceeding appropriations, overspending may occur which may result in a negative fund balance.

We recommend the Village comply with Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: We are aware of the requirement for the Village Council to approve all appropriation amendments and are currently implementing additional policies and procedures to have all supplemental appropriations properly approved prior to including them in the Village’s accounting system.

Finding Number	2020-008
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Material Weakness/Noncompliance – Receipt of Funds and Kilowatt Hour Tax Receipts

Ohio Revised Code Section 5705.10(I) requires money paid into any fund shall be used only for the purposes for which such fund is established. Ohio Revised Code Section 5727.81 further describes the requirements for excise tax levied on electric distribution companies. Ohio Revised code Section 5705.10(D) states, in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

For the years 2020 and 2019, the Village did not transfer “inside” portion of the kilowatt hour tax revenues into the General Fund. The Village did pay the “outside” portion of kilowatt hour tax due to the state properly from the Electric fund. Additionally, certain homestead and rollback, gasoline excise tax, permissive motor vehicle license fees and motor vehicle receipts were not properly posted to the correct funds.

The result of the kilowatt hour tax condition described above netted \$20,533 in 2020 and \$20,717 in 2019 that was maintained in the Electric fund and should have been maintained in the General fund. Additionally, certain receipts should have been recorded in a variety of other special revenue funds. (See Finding 2020-001 and 2020-005) As of the date of this report, the Village has made the required fund adjustments.

We recommend the Village closely monitor the monthly reports to ensure the proper amounts are paid into and out of (if applicable) the proper funds.

Client Response: We will establish additional controls in 2021 regarding applicable receipts and properly transfer the proper kilowatt hour tax amounts and establish additional controls to help ensure amounts are transferred timely.

**VILLAGE OF MARSHALLVILLE
WAYNE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2018-001	2016	<u>Material Weakness – Financial Statement Presentation</u> – Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The Village had numerous adjustments to the accounting system and financial statements.	Not Corrected	Repeated as Finding 2020-001.
2018-002	2016	<u>Material Weakness/Noncompliance – Revenue Posting Error</u> – Ohio Revised Code Section 5735.28, requires seven and one-half per cent of the amount of gasoline excise tax and state and local government highway revenues to be credited to the State Highway Fund when a municipal corporation is on the line of the state highway system. The Village did not properly credit the State Highway Fund.	Not Corrected	Repeated as Finding 2020-005.
2018-003	2018	<u>Material Weakness/Noncompliance – Receipt of Funds and Mayor’s Court Expenditures</u> – Ohio Revised Code Sections 5705.10(D) 5705.10(I) stipulate the requirements of certain receipts of funds and the use of such funds. The Village used Mayor’s Court funds to pay for General Fund expenses on the Village’s books. Additionally certain homestead and rollback and permissive license fund receipts were coded to incorrect funds.	Not Corrected	Repeated as Finding 2020-008
2018-004	2016	<u>Material Weakness/Noncompliance – Recording On-Behalf-Grants</u> – Ohio Revised Code Section 5705.42 requires in part the requirements of posting certain on-behalf payments. The Village did not record the activity properly in their accounting system.	Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MARSHALLVILLE

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/4/2021

88 East Broad Street, Columbus, Ohio 43215
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