



Dave Yost • Auditor of State



VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Marshallville  
Wayne County  
7 North Main Street  
PO Box 169  
Marshallville, Ohio 44645

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of Marshallville, Wayne County, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 Government'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 Government'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, 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, 2012 and 2011, or changes in financial position or cash flows 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 the Village of Marshallville, Wayne County as of December 31, 2012 and 2011, 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 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, 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 Government's internal control over financial reporting and compliance.



**DAVE YOST**  
Auditor of State  
Columbus, Ohio

October 31, 2013

**VILLAGE OF MARSHALLVILLE  
WAYNE 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<br>Revenue      | Capital<br>Projects    | Totals<br>(Memorandum<br>Only) |
|---|-------------------------|-------------------------|------------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                         |                         |                        |                                |
| Property and Other Local Taxes                        | \$19,098                | \$11,150                | \$0                    | \$30,248                       |
| Municipal Income Tax                                  | 57,422                  | 0                       | 0                      | 57,422                         |
| Intergovernmental                                     | 26,998                  | 37,802                  | 0                      | 64,800                         |
| Charges for Services                                  | 4,764                   | 60,149                  | 0                      | 64,913                         |
| Fines, Licenses and Permits                           | 26,160                  | 957                     | 0                      | 27,117                         |
| Earnings on Investments                               | 928                     | 0                       | 0                      | 928                            |
| Miscellaneous   | 1,740                   | 2,007                   | 0                      | 3,747                          |
| <i>Total Cash Receipts</i>                            | <u>137,110</u>          | <u>112,065</u>          | <u>0</u>               | <u>249,175</u>                 |
| <b>Cash Disbursements</b>                             |                         |                         |                        |                                |
| Current:  |                         |                         |                        |                                |
| Security of Persons and Property                      | 59,956                  | 74,232                  | 0                      | 134,188                        |
| Public Health Services                                | 0                       | 0                       | 0                      | 0                              |
| Leisure Time Activities                               | 8,545                   | 0                       | 0                      | 8,545                          |
| Transportation  | 1,533                   | 18,063                  | 0                      | 19,596                         |
| General Government                                    | 63,270                  | 974                     | 0                      | 64,244                         |
| Capital Outlay  | 0                       | 0                       | 9,460                  | 9,460                          |
| <i>Total Cash Disbursements</i>                       | <u>133,304</u>          | <u>93,269</u>           | <u>9,460</u>           | <u>236,033</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>3,806</u>            | <u>18,796</u>           | <u>(9,460)</u>         | <u>13,142</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                         |                         |                        |                                |
| Transfers In  | 43,603                  | 0                       | 14,534                 | 58,137                         |
| Transfers Out   | (58,137)                | 0                       | 0                      | (58,137)                       |
| Other Financing Uses                                  | (389)                   | 0                       | 0                      | (389)                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(14,923)</u>         | <u>0</u>                | <u>14,534</u>          | <u>(389)</u>                   |
| <i>Net Change in Fund Cash Balances</i>               | <u>(11,117)</u>         | <u>18,796</u>           | <u>5,074</u>           | <u>12,753</u>                  |
| <i>Fund Cash Balances, January 1</i>                  | <u>7,147</u>            | <u>298,029</u>          | <u>41,001</u>          | <u>346,177</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                         |                         |                        |                                |
| Nonspendable  | 0                       | 0                       | 0                      | 0                              |
| Restricted  | 0                       | 316,825                 | 0                      | 316,825                        |
| Committed   | 0                       | 0                       | 0                      | 0                              |
| Assigned  | 0                       | 0                       | 46,075                 | 46,075                         |
| Unassigned (Deficit)                                  | (3,970)                 | 0                       | 0                      | (3,970)                        |
| <i>Fund Cash Balances, December 31</i>                | <u><u>(\$3,970)</u></u> | <u><u>\$316,825</u></u> | <u><u>\$46,075</u></u> | <u><u>\$358,930</u></u>        |

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

**VILLAGE OF MARSHALLVILLE  
WAYNE 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<br>Fund Types | Fiduciary<br>Fund Types | Totals                  |
|---|---------------------------|-------------------------|-------------------------|
|   | Enterprise                | Agency                  | (Memorandum<br>Only)    |
| <b>Operating Cash Receipts</b>                      |                           |                         |                         |
| Charges for Services                                | \$1,135,159               | \$0                     | \$1,135,159             |
| Miscellaneous                                       | 3,019                     | 0                       | 3,019                   |
| <i>Total Operating Cash Receipts</i>                | <u>1,138,178</u>          | <u>0</u>                | <u>1,138,178</u>        |
| <b>Operating Cash Disbursements</b>                 |                           |                         |                         |
| Personal Services                                   | 165,695                   | 0                       | 165,695                 |
| Employee Fringe Benefits                            | 3,973                     | 0                       | 3,973                   |
| Contractual Services                                | 701,672                   | 0                       | 701,672                 |
| Supplies and Materials                              | 111,872                   | 0                       | 111,872                 |
| <i>Total Operating Cash Disbursements</i>           | <u>983,212</u>            | <u>0</u>                | <u>983,212</u>          |
| <i>Operating Income (Loss)</i>                      | <u>154,966</u>            | <u>0</u>                | <u>154,966</u>          |
| <b>Non-Operating Receipts (Disbursements)</b>       |                           |                         |                         |
| Sale of Notes                                       | 281,077                   | 0                       | 281,077                 |
| Sale of Capital Assets                              | 0                         | 0                       | 0                       |
| Capital Outlay                                      | (330,324)                 | 0                       | (330,324)               |
| Principal Retirement                                | (94,004)                  | 0                       | (94,004)                |
| Interest and Other Fiscal Charges                   | (27,027)                  | 0                       | (27,027)                |
| Other Financing Sources                             | 8,710                     | 0                       | 8,710                   |
| Other Financing Uses                                | (5,045)                   | (2,596)                 | (7,641)                 |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(166,613)</u>          | <u>(2,596)</u>          | <u>(169,209)</u>        |
| <i>Net Change in Fund Cash Balances</i>             | <u>(11,647)</u>           | <u>(2,596)</u>          | <u>(14,243)</u>         |
| <i>Fund Cash Balances, January 1</i>                | <u>376,665</u>            | <u>3,196</u>            | <u>379,861</u>          |
| <i>Fund Cash Balances, December 31</i>              | <u><u>\$365,018</u></u>   | <u><u>\$600</u></u>     | <u><u>\$365,618</u></u> |

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

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | General         | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                 |                    |                     |                                |
| Property and Other Local Taxes                        | \$21,270        | \$11,141           | \$0                 | \$32,411                       |
| Municipal Income Tax                                  | 52,838          | 0                  | 0                   | 52,838                         |
| Intergovernmental                                     | 33,818          | 43,325             | 0                   | 77,143                         |
| Charges for Services                                  | 4,130           | 48,012             | 0                   | 52,142                         |
| Fines, Licenses and Permits                           | 18,912          | 1,502              | 0                   | 20,414                         |
| Earnings on Investments                               | 1,481           | 0                  | 0                   | 1,481                          |
| Miscellaneous   | 3,205           | 1,786              | 0                   | 4,991                          |
| <i>Total Cash Receipts</i>                            | <u>135,654</u>  | <u>105,766</u>     | <u>0</u>            | <u>241,420</u>                 |
| <b>Cash Disbursements</b>                             |                 |                    |                     |                                |
| Current:  |                 |                    |                     |                                |
| Security of Persons and Property                      | 59,190          | 52,803             | 0                   | 111,993                        |
| Public Health Services                                | 1,857           | 0                  | 0                   | 1,857                          |
| Leisure Time Activities                               | 12,862          | 0                  | 0                   | 12,862                         |
| Transportation  | 168             | 32,939             | 0                   | 33,107                         |
| General Government                                    | 68,426          | 906                | 0                   | 69,332                         |
| Capital Outlay  | 0               | 0                  | 7,247               | 7,247                          |
| <i>Total Cash Disbursements</i>                       | <u>142,503</u>  | <u>86,648</u>      | <u>7,247</u>        | <u>236,398</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(6,849)</u>  | <u>19,118</u>      | <u>(7,247)</u>      | <u>5,022</u>                   |
| <b>Other Financing Receipts (Disbursements)</b>       |                 |                    |                     |                                |
| Transfers In  | 40,500          | 0                  | 13,500              | 54,000                         |
| Transfers Out   | (54,000)        | 0                  | 0                   | (54,000)                       |
| Other Financing Uses                                  | (513)           | (67)               | 0                   | (580)                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(14,013)</u> | <u>(67)</u>        | <u>13,500</u>       | <u>(580)</u>                   |
| <i>Net Change in Fund Cash Balances</i>               | <u>(20,862)</u> | <u>19,051</u>      | <u>6,253</u>        | <u>4,442</u>                   |
| <i>Fund Cash Balances, January 1</i>                  | <u>28,009</u>   | <u>278,978</u>     | <u>34,748</u>       | <u>341,735</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                 |                    |                     |                                |
| Nonspendable  | 0               | 0                  | 0                   | 0                              |
| Restricted  | 0               | 298,029            | 0                   | 298,029                        |
| Committed   | 0               | 0                  | 0                   | 0                              |
| Assigned  | 0               | 0                  | 41,001              | 41,001                         |
| Unassigned (Deficit)                                  | 7,147           | 0                  | 0                   | 7,147                          |
| <i>Fund Cash Balances, December 31</i>                | <u>\$7,147</u>  | <u>\$298,029</u>   | <u>\$41,001</u>     | <u>\$346,177</u>               |

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

**VILLAGE OF MARSHALLVILLE  
WAYNE 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, 2011**

|   | Proprietary<br>Fund Types | Fiduciary<br>Fund Types | Totals                  |
|---|---------------------------|-------------------------|-------------------------|
|   | Enterprise                | Agency                  | (Memorandum<br>Only)    |
| <b>Operating Cash Receipts</b>                      |                           |                         |                         |
| Charges for Services                                | \$1,063,957               | \$0                     | \$1,063,957             |
| Miscellaneous                                       | 5,238                     | 0                       | 5,238                   |
| <i>Total Operating Cash Receipts</i>                | <u>1,069,195</u>          | <u>0</u>                | <u>1,069,195</u>        |
| <b>Operating Cash Disbursements</b>                 |                           |                         |                         |
| Personal Services                                   | 160,362                   | 0                       | 160,362                 |
| Employee Fringe Benefits                            | 5,234                     | 0                       | 5,234                   |
| Contractual Services                                | 606,628                   | 0                       | 606,628                 |
| Supplies and Materials                              | 164,053                   | 0                       | 164,053                 |
| <i>Total Operating Cash Disbursements</i>           | <u>936,277</u>            | <u>0</u>                | <u>936,277</u>          |
| <i>Operating Income (Loss)</i>                      | <u>132,918</u>            | <u>0</u>                | <u>132,918</u>          |
| <b>Non-Operating Receipts (Disbursements)</b>       |                           |                         |                         |
| Sale of Notes                                       | 254,466                   | 0                       | 254,466                 |
| Sale of Capital Assets                              | 1,550                     | 0                       | 1,550                   |
| Capital Outlay                                      | (272,374)                 | 0                       | (272,374)               |
| Principal Retirement                                | (101,707)                 | 0                       | (101,707)               |
| Interest and Other Fiscal Charges                   | (29,516)                  | 0                       | (29,516)                |
| Other Financing Sources                             | 6,461                     | 0                       | 6,461                   |
| Other Financing Uses                                | (6,527)                   | (812)                   | (7,339)                 |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(147,647)</u>          | <u>(812)</u>            | <u>(148,459)</u>        |
| <i>Net Change in Fund Cash Balances</i>             | <u>(14,729)</u>           | <u>(812)</u>            | <u>(15,541)</u>         |
| <i>Fund Cash Balances, January 1</i>                | <u>391,394</u>            | <u>4,008</u>            | <u>395,402</u>          |
| <i>Fund Cash Balances, December 31</i>              | <u><u>\$376,665</u></u>   | <u><u>\$3,196</u></u>   | <u><u>\$379,861</u></u> |

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

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 Marshallville, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including maintenance of Village streets, water, sewer and electric utilities, recreation, police and ambulance services. The Village contracts with the Wayne County Sheriff's department to provide security of persons and property. 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. 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.

Fire Fund – This fund receives tax money from a voted levy for fire and ambulance service as well as charges for services from fire contracts.

Ambulance Fund – This fund receives charges for services from ambulance runs.

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies – (Continued)**

**3. 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 transfers from the Income Tax Fund to finance capital outlay purchases for the Village.

**4. 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:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

**5. Fiduciary Funds**

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

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

**D. 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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

1. Summary of Significant Accounting Policies – (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. Fund Balance

Beginning in 2011, 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.

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies – (Continued)**

**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.

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.

**F. 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.

**G. 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:

|                 |           |           |
|-----------------|-----------|-----------|
|                 | 2012      | 2011      |
| Demand deposits | \$724,548 | \$726,038 |

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

| 2012 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$212,211            | \$180,713          | (\$31,498)  |
| Special Revenue                   | 173,950              | 112,065            | (61,885)    |
| Capital Projects                  | 18,600               | 14,534             | (4,066)     |
| Enterprise                        | 1,506,100            | 1,427,965          | (78,135)    |
| Total                             | \$1,910,861          | \$1,735,277        | (\$175,584) |

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**3. Budgetary Activity – (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance         |
|------------------|----------------------------|---------------------------|------------------|
| General          | \$232,808                  | \$191,830                 | \$40,978         |
| Special Revenue  | 193,200                    | 93,269                    | 99,931           |
| Capital Projects | 9,600                      | 9,460                     | 140              |
| Enterprise       | 1,500,000                  | 1,439,612                 | 60,388           |
| Total            | <u>\$1,935,608</u>         | <u>\$1,734,171</u>        | <u>\$201,437</u> |

2011 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance       |
|------------------|----------------------|--------------------|----------------|
| General          | \$217,470            | \$176,154          | (\$41,316)     |
| Special Revenue  | 120,900              | 105,766            | (15,134)       |
| Capital Projects | 9,500                | 13,500             | 4,000          |
| Enterprise       | 1,274,000            | 1,331,672          | 57,672         |
| Total            | <u>\$1,621,870</u>   | <u>\$1,627,092</u> | <u>\$5,222</u> |

2011 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance           |
|------------------|----------------------------|---------------------------|--------------------|
| General          | \$227,808                  | \$197,016                 | \$30,792           |
| Special Revenue  | 138,700                    | 86,715                    | 51,985             |
| Capital Projects | 8,000                      | 7,247                     | 753                |
| Enterprise       | 1,062,700                  | 1,346,401                 | (283,701)          |
| Total            | <u>\$1,437,208</u>         | <u>\$1,637,379</u>        | <u>(\$200,171)</u> |

**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  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**5. Local Income Tax**

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.

**6. Debt**

Debt outstanding at December 31, 2012 was as follows:

|  | <u>Principal</u>   | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| OWDA - 3225 Waterline Replacement                    | \$37,926           | 3.88%                |
| OWDA - 3405 Phase 2 Waterline Replacement            | \$43,824           | 2.00%                |
| OWDA - 5249 WWTP Improvements                        | \$558,763          | 0.00%                |
| Farmers State Bank Electric Distribution System Note | \$220,000          | 4.00%                |
| OPWC - CP17C Waterline Replacement Project Phase 1   | \$41,334           | 0.00%                |
| OPWC - CP20D Waterline Replacement Project Phase 2   | \$65,485           | 0.00%                |
| OPWC - CP002 Sanitary Sewer Separation Project       | \$49,879           | 0.00%                |
| OPWC - CP05J Wastewater Treatment Plant              | \$440,876          | 0.00%                |
| OPWC - CT21M Stormsewer                              | \$26,685           | 0.00%                |
| OPWC - CT84M Sanitary Sewer Replacement              | \$75,482           | 0.00%                |
| OPWC - CT66N Sanitary Sewer Replacement Phase 2      | \$301,092          | 0.00%                |
| Capmark Mortgage Revenue - #01-049500-1              | \$215,000          | 5.00%                |
| Capmark Mortgage Revenue - #01-049500-3              | \$18,000           | 7.13%                |
| Capmark Mortgage Revenue - #01-049500-5              | \$39,300           | 5.00%                |
| Total  | <u>\$2,133,646</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. OPWC loan # CP05J, CT21M, CT84M and CT66N have not been fully disbursed as of December 31, 2012, and no amortization schedule is available for its repayment. The Mortgage Revenue Bonds were for various water improvement projects. All of these issues will be retired by water and sewer revenues. The Village has agreed to set utility rates in amounts sufficient to cover debt requirements.

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**6. Debt**

Amortization of the above debt, including interest, excluding those for which no amortization schedule has been determined is scheduled as follows:

| Year ending December 31: | OWDA Loan        | Farmers State<br>Bank Electric<br>Distribution<br>System Note | OPWC Loans       | Mortgage<br>Revenue<br>Bonds |
|--------------------------|------------------|---|------------------|------------------------------|
| 2013                     | \$41,674         | \$28,800  | \$20,756         | \$33,798                     |
| 2014                     | 41,674           | 28,000  | 20,756           | 33,891                       |
| 2015                     | 41,674           | 27,200  | 20,756           | 33,029                       |
| 2016                     | 41,674           | 26,400  | 20,756           | 34,154                       |
| 2017                     | 41,674           | 25,600  | 20,756           | 34,068                       |
| 2018-2022                | 195,105          | 116,000   | 52,918           | 170,124                      |
| 2023-2027                | 155,243          | 20,800  | 0                | 24,188                       |
| 2028-2030                | 93,036           | 0   | 0                | 0                            |
| Total                    | <u>\$651,754</u> | <u>\$272,800</u>  | <u>\$156,698</u> | <u>\$363,252</u>             |

**7. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**8. Risk Management**

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

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

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**8. Risk Management – (Continued)**

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

|              | <u>2012</u>         | <u>2011</u>         |
|--------------|---------------------|---------------------|
| Assets       | \$34,389,569        | \$33,362,404        |
| Liabilities  | (14,208,353)        | (14,187,273)        |
| Net Position | <u>\$20,181,216</u> | <u>\$19,175,131</u> |

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$10,000.

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

| <u>Contributions to PEP</u> |             |
|-----------------------------|-------------|
| <u>2012</u>                 | <u>2011</u> |
| \$11,627                    | \$10,623    |

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**8. Risk Management – (Continued)**

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

**9. 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 Marshallville  
Wayne County  
7 North Main Street  
PO Box 169  
Marshallville, Ohio 44645

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Marshallville, Wayne County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

### ***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 Government's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***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 Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" at the end.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 31, 2013

**VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY**

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

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2010-001       | Posting Receipts and Expenditures   | No               | Partially corrected: reported in the Village's management letter   |
| 2010-002       | Ohio Rev. Code Section 733.40 – Mayor's court fines and fees were not always paid to the Village by the first Monday of each month. | No               | Partially corrected; reported in the Village's management letter   |

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# Dave Yost • Auditor of State

VILLAGE OF MARSHALLVILLE

WAYNE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 12, 2013