

VILLAGE OF MORRAL
MARION COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2003 AND 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Village of Morral

We have reviewed the Independent Auditor's Report of the Village of Morral, Marion County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Morral is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 4, 2004

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VILLAGE OF MORRAL- MARION COUNTY
YEARS ENDING DECEMBER 31, 2003 AND DECEMBER 31, 2002
TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2003	2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002	3
Notes to the Financial Statements	4-7
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance With <i>Government Auditing Standards</i>	8-9
Schedule of Findings/Corrective Action Plan	10
Schedule of Prior Audit Findings.....	11

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Ohio Society of Certified Public Accountants

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Village of Morral, Marion County, Ohio, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Morral, Marion County, Ohio, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of the audits.

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 12, 2004

VILLAGE OF MORRAL
MARION COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property and Local Taxes	\$11,564	\$0	\$11,564
Intergovernmental	24,201	22,581	46,782
Fines, Licenses and Permits	1,205	0	1,205
Earnings on Investments	457	114	571
Miscellaneous	179	0	179
	<hr/>		
Total Revenues	37,606	22,695	60,301
Disbursements:			
Security of Persons and Property	13,535	0	13,535
Basic Utility Services	4,599	0	4,599
Leisure Time Activities	0	3,353	3,353
Transportation	0	21,812	21,812
General Government	43,074	0	43,074
	<hr/>		
Total Disbursements	61,208	25,165	86,373
	<hr/>		
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(23,602)	(2,470)	(26,072)
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Fund Cash Balances, January 1, 2003	51,326	8,672	59,998
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Fund Cash Balances, December 31, 2003	\$27,724	\$6,202	\$33,926
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The notes to the financial statements are an integral part of this statement.

VILLAGE OF MORRAL
MARION COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Revenues:			
Property and Local Taxes	\$18,432	\$1,404	\$19,836
Intergovernmental	18,930	18,059	36,989
Fines, Licenses and Permits	1,090	0	1,090
Earnings on Investments	588	147	735
Gifts and Donations	0	818	818
Miscellaneous	1,659	1,073	2,732
Total Revenues	40,699	21,501	62,200
Disbursements:			
Security of Persons and Property	10,143	0	10,143
Basic Utility Services	4,602	0	4,602
Public Health Services	2,323	0	2,323
Leisure Time Activities	0	5,249	5,249
Transportation	2,367	21,570	23,937
General Government	31,069	0	31,069
Capital Outlay	680	0	680
Total Disbursements	51,184	26,819	78,003
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(10,485)	(5,318)	(15,803)
Fund Cash Balances, January 1, 2002	61,811	13,990	75,801
Fund Cash Balances, December 31, 2002	<u>\$51,326</u>	<u>\$8,672</u>	<u>\$59,998</u>

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

VILLAGE OF MORRAL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Morral, Marion County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council, of which two members are publicly-elected and four members have been appointed by the Mayor and Council. The Village provides general governmental services, including park operations (leisure time activities). The Village contracts with the Marion County Sheriff's Department to provide security of persons and property. Salt Rock Volunteer Fire Department provides fire services for the Village.

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

B. Basis of Accounting

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

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

C. Cash

The Village maintains an interest-bearing checking account.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

VILLAGE OF MORRAL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Deposits	<u>\$33,926</u>	<u>\$59,998</u>

VILLAGE OF MORRAL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,380	\$37,606	(\$2,774)
Special Revenue	19,482	22,695	3,213
Total	<u>\$59,862</u>	<u>\$60,301</u>	<u>\$439</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,706	\$61,208	\$30,498
Special Revenue	27,634	25,165	2,469
Total	<u>\$119,340</u>	<u>\$86,373</u>	<u>\$32,967</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,853	\$40,699	\$5,846
Special Revenue	18,097	21,501	3,404
Total	<u>\$52,950</u>	<u>\$62,200</u>	<u>\$9,250</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,664	\$51,184	\$45,480
Special Revenue	31,567	26,819	4,748
Total	<u>\$128,231</u>	<u>\$78,003</u>	<u>\$50,228</u>

VILLAGE OF MORRAL
MARION COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEM

During 2003 and 2003, the Village's officials elected to belong to Social Security. The Village's liability is 6.2 percent of wages paid.

No Village employees paid into the Public Employees Retirement System (PERS) of Ohio during the audit period.

6. RISK MANAGEMENT

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

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

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

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of the Village of Morral, Marion County, Ohio, (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 12, 2004. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of the Village in a separate letter dated October 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003.001 and 2003.002.

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

Village Council
Village of Morral
Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit Performed in Accordance with
Government Auditing Standards
Page 2

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the Village in a separate letter dated October 12, 2004.

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

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

October 12, 2004

VILLAGE OF MORRAL
MARION COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Finding Number 2003.001

Financial Reporting:

The financial reports for the Village submitted for audit for the fiscal year 2003 were not accurately and completely prepared. The Village submitted a financial report with only summary total revenue and disbursement figures. Furthermore, the cash balances did not agree to reconciled bank balances and subsidiary ledgers. The Village should ensure its financial reports are completed timely and accurately.

Finding Number 2003.002

Council Monitoring:

During 2003 and 2002, the Council did not receive or monitor budget versus actual reports for receipts and expenditures. The Council approved appropriations at the object level, which is the Village's legal level of control. The Village Clerk did not post estimated receipts to the revenue ledger or appropriations at the legal level of control to the disbursement ledger.

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

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

CORRECTIVE ACTION PLAN

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003.001	The Village Clerk will complete the Village's year end financial statements accurately and completely.	12/31/04	Erica Jolliff, Village Clerk
2003.002	The Village Clerk and Council will monitor budget versus actual activity.	12/31/04	Erica Jolliff, Village Clerk

VILLAGE OF MORRAL
MARION COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30651-001	Ohio Revised Code 5705.36, Obtaining Increased/ Decreased Amended Certificate	Yes	
2001-30651-002	Council Monitoring	No	Not Corrected – See current year finding 2003.002.



**Auditor of State
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VILLAGE OF MORRAL

MARION COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2004**