



Dave Yost • Auditor of State



VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY  
DECEMBER 31, 2018 AND 2017

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# OHIO AUDITOR OF STATE KEITH FABER



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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 by fund type, and related notes of the Village of Marshallville, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such 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 opinions.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village 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 *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 as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Marshallville, Wayne County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

September 9, 2019

**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, 2018

|   | General          | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                     |                                |
| Property and Other Local Taxes                        | \$ 21,261        | \$ 11,140          | \$ -                | \$ 32,401                      |
| Municipal Income Tax                                  | 94,973           | -                  | 9,979               | 104,952                        |
| Intergovernmental                                     | 20,386           | 47,053             | -                   | 67,439                         |
| Charges for Services                                  | 3,607            | -                  | -                   | 3,607                          |
| Fines, Licenses and Permits                           | 18,018           | 1,276              | -                   | 19,294                         |
| Earnings on Investments                               | 656              | -                  | -                   | 656                            |
| Miscellaneous   | 3,418            | -                  | -                   | 3,418                          |
| <i>Total Cash Receipts</i>                            | <u>162,319</u>   | <u>59,469</u>      | <u>9,979</u>        | <u>231,767</u>                 |
| <b>Cash Disbursements</b>                             |                  |                    |                     |                                |
| Current:  |                  |                    |                     |                                |
| Security of Persons and Property                      | 72,942           | 12,600             | -                   | 85,542                         |
| Public Health Services                                | 1,750            | -                  | -                   | 1,750                          |
| Leisure Time Activities                               | 5,656            | -                  | -                   | 5,656                          |
| Transportation  | 7,928            | 73,197             | -                   | 81,125                         |
| General Government                                    | 62,562           | 3,115              | -                   | 65,677                         |
| <i>Total Cash Disbursements</i>                       | <u>150,838</u>   | <u>88,912</u>      | <u>-</u>            | <u>239,750</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>11,481</u>    | <u>(29,443)</u>    | <u>9,979</u>        | <u>(7,983)</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                     |                                |
| Other Financing Uses                                  | (3,687)          | -                  | -                   | (3,687)                        |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(3,687)</u>   | <u>-</u>           | <u>-</u>            | <u>(3,687)</u>                 |
| <i>Net Change in Fund Cash Balances</i>               | 7,794            | (29,443)           | 9,979               | (11,670)                       |
| <i>Fund Cash Balances, January 1</i>                  | <u>87,921</u>    | <u>215,225</u>     | <u>19,412</u>       | <u>322,558</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                  |                    |                     |                                |
| Restricted  | -                | 185,782            | -                   | 185,782                        |
| Committed   | -                | -                  | 29,391              | 29,391                         |
| Unassigned (Deficit)                                  | 95,715           | -                  | -                   | 95,715                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 95,715</u> | <u>\$ 185,782</u>  | <u>\$ 29,391</u>    | <u>\$ 310,888</u>              |

See accompanying notes to the basic financial statements

**Village of Marshallville, Ohio**

Wayne County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2018

|   | Proprietary Fund Types | Fiduciary Fund Types | Totals               |
|---|------------------------|----------------------|----------------------|
|   | Enterprise             | Agency               | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>  |                        |                      |                      |
| Charges for Services  | \$1,238,622            | \$0                  | \$1,238,622          |
| <i>Total Operating Cash Receipts</i>  | <u>1,238,622</u>       | <u>0</u>             | <u>1,238,622</u>     |
| <b>Operating Cash Disbursements</b>   |                        |                      |                      |
| Personal Services   | 187,041                | 0                    | 187,041              |
| Employee Fringe Benefits  | 2,385                  | 0                    | 2,385                |
| Contractual Services  | 739,372                | 0                    | 739,372              |
| Supplies and Materials  | 153,583                | 0                    | 153,583              |
| <i>Total Operating Cash Disbursements</i>   | <u>1,082,381</u>       | <u>0</u>             | <u>1,082,381</u>     |
| <i>Operating Income (Loss)</i>  | <u>156,241</u>         | <u>0</u>             | <u>156,241</u>       |
| <b>Non-Operating Receipts (Disbursements)</b>   |                        |                      |                      |
| Redemption of Principal   | (107,632)              | 0                    | (107,632)            |
| Interest and Other Fiscal Charges   | (13,953)               | 0                    | (13,953)             |
| Other Financing Sources   | 9,000                  | 14,799               | 23,799               |
| Other Financing Uses  | (4,934)                | (13,976)             | (18,910)             |
| <i>Total Non-Operating Receipts (Disbursements)</i>   | <u>(117,519)</u>       | <u>823</u>           | <u>(116,696)</u>     |
| <i>Income (Loss) before Capital Contributions, Special<br/>Item, Extraordinary Item, Transfers and Advances</i> | 38,722                 | 823                  | 39,545               |
| <i>Net Change in Fund Cash Balances</i>   | 38,722                 | 823                  | 39,545               |
| <i>Fund Cash Balances, January 1</i>  | <u>184,476</u>         | <u>1,449</u>         | <u>185,925</u>       |
| <i>Fund Cash Balances, December 31</i>  | <u>\$223,198</u>       | <u>\$2,272</u>       | <u>\$225,470</u>     |

See accompanying notes to the basic financial statements



**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 - Reporting Entity**

The Village of Marshallville (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric utilities, park operations, and police services

***Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6, 10, and 11 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 and fiduciary fund types which are 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.

***Fire Fund*** This fund receives real estate taxes for the purpose of paying for the contract with the East Wayne Fire District to provide fire protection services to the Village.

***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 funds:

***Capital Outlay Fund*** The capital outlay fund accounts for and reports proceeds of a portion of the income tax levy. The proceeds are being used to construct road improvements.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 services to the residents and commercial users within the Village.

**Utility Deposit Fund** The utility deposit fund receives charges for services from residents to cover the cost of providing the utilities.

**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 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 Board 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 agency funds) be budgeted annually.

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

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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 2018 budgetary activity appears in Note 3.

***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.

***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.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 - Summary of Significant Accounting Policies (continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$218,050            | \$162,319          | (\$55,731) |
| Special Revenue                   | 43,850               | 59,469             | 15,619     |
| Capital Projects                  | 30,000               | 9,979              | (20,021)   |
| Enterprise                        | 1,276,000            | 1,247,622          | (28,378)   |
| Total                             | \$1,567,900          | \$1,479,389        | (\$88,511) |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$256,400                  | \$154,525                 | \$101,875 |
| Special Revenue                                       | 91,400                     | 88,912                    | 2,488     |
| Capital Projects                                      | 15,000                     | 0                         | 15,000    |
| Enterprise  | 1,266,000                  | 1,208,900                 | 57,100    |
| Total   | \$1,628,800                | \$1,452,337               | \$176,463 |

**Note 4 – Deposits and Investments**

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

|                 |           |
|-----------------|-----------|
|                 | 2018      |
| Demand deposits | \$536,358 |

***Deposits***

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

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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.

***Income Taxes***

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 - Risk Management**

***Risk Pool Membership***

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 Insurance Services Group, Inc. (York) 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 - Risk Management (Continued)**

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

|              | <u>2018</u>  |
|--------------|--------------|
| Assets       | \$35,381,789 |
| Liabilities  | (12,965,015) |
| Net Position | \$22,416,774 |

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.

|   |
|---|
| <b><u>2018 Contributions to PEP</u></b><br><b><u>\$19,056</u></b> |
|---|

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2018 was as follows:

|  | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| OWDA - 3225 Waterline Replacement                    | \$12,467         | 3.88%                |
| OWDA - 3405 Phase 2 Waterline Replacement            | 15,488           | 2.00%                |
| OWDA - 5429 WWTP Improvements                        | 372,582          | 0.00%                |
| Farmers State Bank Electric Distribution System Note | 100,000          | 4.00%                |
| OPWC - CT70T SR 94 Main St. Waterline Replacement    | 9,603            | 0.00%                |
| OPWC - CP17C Waterline Replacement Project Phase 1   | 10,334           | 0.00%                |
| OPWC - CP20D Waterline Replacement Project Phase 2   | 21,828           | 0.00%                |
| Capmark Mortgage Revenue - #01-049500-1              | 99,000           | 5.00%                |
| Capmark Mortgage Revenue - #01-049500-3              | 12,400           | 7.13%                |
| Capmark Mortgage Revenue - #01-049500-5              | 25,700           | 5.00%                |
| Total  | <u>679,402</u>   |                      |

The Ohio Water Development Authority (OWDA) loan relates to a 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. 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, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 9 – Debt (Continued)**

***Amortization***

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

| Year ending<br>December 31: | Farmers State Bank<br>Electric<br>Distribution System |                  |                 |                           |
|-----------------------------|---|------------------|-----------------|---------------------------|
|                             | OWDA Loans  | Note             | OPWC Loans      | Mortgage Revenue<br>Bonds |
| 2019                        | \$41,674  | \$24,000         | \$12,948        | \$34,019                  |
| 2020                        | 41,674  | 23,200           | 12,948          | 33,848                    |
| 2021                        | 39,034  | 22,400           | 7,781           | 33,715                    |
| 2022                        | 31,049  | 21,600           | 505             | 34,416                    |
| 2023                        | 31,049  | 20,800           | 505             | 6,104                     |
| 2024-2028                   | 155,243   | 0                | 2,527           | 18,084                    |
| 2029-2033                   | 62,097  | 0                | 2,527           | 0                         |
| 2034-2038                   | 0   | 0                | 2,022           | 0                         |
| Total                       | <u>\$401,819</u>                                      | <u>\$112,000</u> | <u>\$41,763</u> | <u>\$160,185</u>          |

**Note 10 – Jointly Governed Organization**

The East Wayne Fire 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 11 – 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.



**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, 2017*

|   | General          | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                     |                                |
| Property and Other Local Taxes                        | \$ 19,817        | \$ 10,913          | \$ -                | \$ 30,730                      |
| Municipal Income Tax                                  | 93,409           | -                  | 9,974               | 103,383                        |
| Intergovernmental                                     | 19,760           | 71,104             | -                   | 90,864                         |
| Charges for Services                                  | 3,768            | 447                | -                   | 4,215                          |
| Fines, Licenses and Permits                           | 19,903           | 1,629              | -                   | 21,532                         |
| Earnings on Investments                               | 438              | -                  | -                   | 438                            |
| Miscellaneous   | 5,365            | -                  | -                   | 5,365                          |
| <i>Total Cash Receipts</i>                            | <u>162,460</u>   | <u>84,093</u>      | <u>9,974</u>        | <u>256,527</u>                 |
| <b>Cash Disbursements</b>                             |                  |                    |                     |                                |
| Current:  |                  |                    |                     |                                |
| Security of Persons and Property                      | 62,664           | 12,600             | -                   | 75,264                         |
| Public Health Services                                | 1,050            | -                  | -                   | 1,050                          |
| Leisure Time Activities                               | 2,246            | -                  | -                   | 2,246                          |
| Transportation  | 8,035            | 7,187              | -                   | 15,222                         |
| General Government                                    | 66,585           | 3,380              | -                   | 69,965                         |
| <i>Total Cash Disbursements</i>                       | <u>140,580</u>   | <u>23,167</u>      | <u>-</u>            | <u>163,747</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>21,880</u>    | <u>60,926</u>      | <u>9,974</u>        | <u>92,780</u>                  |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                     |                                |
| Other Financing Sources                               | (563)            | -                  | -                   | (563)                          |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(563)</u>     | <u>-</u>           | <u>-</u>            | <u>(563)</u>                   |
| <i>Net Change in Fund Cash Balances</i>               | 21,317           | 60,926             | 9,974               | 92,217                         |
| <i>Fund Cash Balances, January 1</i>                  | <u>66,604</u>    | <u>154,299</u>     | <u>9,438</u>        | <u>230,341</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                  |                    |                     |                                |
| Restricted  | -                | 215,225            | -                   | 215,225                        |
| Committed   | -                | -                  | 19,412              | 19,412                         |
| Unassigned (Deficit)                                  | 87,921           | -                  | -                   | 87,921                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 87,921</u> | <u>\$ 215,225</u>  | <u>\$ 19,412</u>    | <u>\$ 322,558</u>              |

*See accompanying notes to the basic financial statements*

**Village of Marshallville, Ohio**

Wayne County

Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)

All Proprietary and Fiduciary Fund Types

For the Year Ended December 31, 2017

|   | Proprietary Fund Types | Fiduciary Fund Types | Totals               |
|---|------------------------|----------------------|----------------------|
|   | Enterprise             | Agency               | (Memorandum<br>Only) |
| <b>Operating Cash Receipts</b>  |                        |                      |                      |
| Charges for Services  | \$ 1,168,776           | \$ -                 | \$ 1,168,776         |
| <i>Total Operating Cash Receipts</i>  | <u>1,168,776</u>       | <u>-</u>             | <u>1,168,776</u>     |
| <b>Operating Cash Disbursements</b>   |                        |                      |                      |
| Personal Services   | 189,920                | -                    | 189,920              |
| Employee Fringe Benefits  | 2,942                  | -                    | 2,942                |
| Contractual Services  | 717,348                | -                    | 717,348              |
| Supplies and Materials  | 115,750                | -                    | 115,750              |
| <i>Total Operating Cash Disbursements</i>   | <u>1,025,960</u>       | <u>-</u>             | <u>1,025,960</u>     |
| <i>Operating Income (Loss)</i>  | <u>142,816</u>         | <u>-</u>             | <u>142,816</u>       |
| <b>Non-Operating Receipts (Disbursements)</b>   |                        |                      |                      |
| Intergovernmental Receipts  | 125,127                | -                    | 125,127              |
| Other Debt Proceeds   | 10,109                 | -                    | 10,109               |
| Capital Outlay  | (151,419)              | -                    | (151,419)            |
| Redemption of Principal   | (105,553)              | -                    | (105,553)            |
| Interest and Other Fiscal Charges   | (16,247)               | -                    | (16,247)             |
| Other Financing Sources   | 6,000                  | 17,585               | 23,585               |
| Other Financing Uses  | (6,531)                | (17,927)             | (24,458)             |
| <i>Total Non-Operating Receipts (Disbursements)</i>   | <u>(138,514)</u>       | <u>(342)</u>         | <u>(138,856)</u>     |
| <i>Income (Loss) before Capital Contributions, Special<br/>Item, Extraordinary Item, Transfers and Advances</i> | 4,302                  | (342)                | 3,960                |
| <i>Net Change in Fund Cash Balances</i>   | 4,302                  | (342)                | 3,960                |
| <i>Fund Cash Balances, January 1</i>  | <u>180,174</u>         | <u>1,791</u>         | <u>181,965</u>       |
| <i>Fund Cash Balances, December 31</i>  | <u>\$ 184,476</u>      | <u>\$ 1,449</u>      | <u>\$ 185,925</u>    |

See accompanying notes to the basic financial statements

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 - Reporting Entity**

The Village of Marshallville (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water, sewer, electric utilities, park operations, and police services.

***Jointly Governed Organizations and Public Entity Risk Pools***

The Village participates in a jointly governed organization and a public entity risk pool. Notes 6, 10, and 11 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 and fiduciary fund types which are 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.

***Fire Fund*** This fund receives real estate taxes for the purpose of paying for the contract with the East Wayne Fire District to provide fire protection services to the Village.

***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 funds:

***Capital Outlay Fund*** The capital outlay fund accounts for and reports proceeds of a portion of the income tax levy. The proceeds are being used to construct road improvements.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 services to the residents and commercial users within the Village.

**Utility Deposit Fund** The utility deposit fund receives charges for services from residents to cover the cost of providing the utilities.

**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 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 Board 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 agency funds) be budgeted annually.

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

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 2017 budgetary activity appears in Note 3.

**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.

**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.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 2 - Summary of Significant Accounting Policies (continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$288,385            | \$162,460          | (\$125,925) |
| Special Revenue                   | 81,000               | 84,093             | 3,093       |
| Capital Projects                  | 12,000               | 9,974              | (2,026)     |
| Enterprise                        | 1,317,000            | 1,310,012          | (6,988)     |
| Total                             | \$1,698,385          | \$1,566,539        | (\$131,846) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$251,475                  | \$141,143                 | \$110,332 |
| Special Revenue                                       | 44,100                     | 23,167                    | 20,933    |
| Capital Projects                                      | 15,000                     | 0                         | 15,000    |
| Enterprise  | 1,379,960                  | 1,305,710                 | 74,250    |
| Total   | \$1,690,535                | \$1,470,020               | \$220,515 |

**Note 4 – Deposits and Investments**

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

|                 |           |
|-----------------|-----------|
|                 | 2017      |
| Demand deposits | \$508,483 |

***Deposits***

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

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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.

***Income Taxes***

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 - Risk Management**

***Risk Pool Membership***

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 Insurance Services Group, Inc. (York) 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management (Continued)**

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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

|              | <u>2017</u>  |
|--------------|--------------|
| Assets       | \$44,452,326 |
| Liabilities  | (13,004,011) |
| Net Position | \$31,448,315 |

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$28,000.

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.

|   |
|---|
| <b><u>2017 Contributions to PEP</u></b><br><b><u>\$19,532</u></b> |
|---|

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.



**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

**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 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

|  | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------|----------------------|
| OWDA - 3225 Waterline Replacement                    | \$17,128         | 3.88%                |
| OWDA - 3405 Phase 2 Waterline Replacement            | 20,449           | 2.00%                |
| OWDA - 5429 WWTP Improvements                        | 403,631          | 0.00%                |
| Farmers State Bank Electric Distribution System Note | 120,000          | 4.00%                |
| OPWC - CP002 Sanitary Sewer Separation Project       | 8,313            | 0.00%                |
| OPWC - CT70T SR 94 Main St. Waterline Replacement    | 10,109           | 0.00%                |
| OPWC - CP17C Waterline Replacement Project Phase 1   | 15,500           | 0.00%                |
| OPWC - CP20D Waterline Replacement Project Phase 2   | 29,104           | 0.00%                |
| Capmark Mortgage Revenue - #01-049500-1              | 121,000          | 5.00%                |
| Capmark Mortgage Revenue - #01-049500-3              | 13,500           | 7.13%                |
| Capmark Mortgage Revenue - #01-049500-5              | 28,300           | 5.00%                |
| Total  | <u>787,034</u>   |                      |

**Village of Marshallville, Ohio**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 9 – Debt (Continued)**

The Ohio Water Development Authority (OWDA) loan relates to a 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. 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.

***Amortization***

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

| Year ending<br>December 31: | Farmers State Bank<br>Electric<br>Distribution System |           |            |                           |
|-----------------------------|---|-----------|------------|---------------------------|
|                             | OWDA Loans  | Note      | OPWC Loans | Mortgage Revenue<br>Bonds |
| 2018                        | \$41,674  | \$24,800  | \$21,261   | \$34,127                  |
| 2019                        | 41,674  | 24,000    | 12,948     | 34,019                    |
| 2020                        | 41,674  | 23,200    | 12,948     | 33,848                    |
| 2021                        | 39,034  | 22,400    | 7,781      | 33,715                    |
| 2022                        | 31,049  | 21,600    | 505        | 34,416                    |
| 2023-2027                   | 155,243   | 20,800    | 2,527      | 24,188                    |
| 2028-2032                   | 93,145  | 0         | 2,527      | 0                         |
| 2033-2037                   | 0   | 0         | 2,527      | 0                         |
| Total                       | \$443,493   | \$136,800 | \$63,024   | \$194,313                 |

**Note 10 – Jointly Governed Organization**

The East Wayne Fire District is a jointly governed organization of three 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 11 – 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.



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**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  
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 cash balances, receipts, and disbursements by fund type of the Village of Marshallville, Wayne County, (the Village) as of and for the s ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 9, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 Village'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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-004 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 through 2018-004.

***Village's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

September 9, 2019

VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

**Material Weakness - Financial Statement Presentation**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the responsibilities noted above.

The following adjustments were made to the Village's 2018 and 2017 financial statements:

- In 2018, \$9,979 of Income Tax Receipts due the Capital Projects fund were improperly recorded within the General Fund. Additionally, \$9,979 was improperly recorded as transfers out.
- In 2017, \$9,974 of income tax receipts due the Capital Projects fund was improperly recorded within the General fund. Additionally, \$89,768 and \$99,742 were improperly recorded as Transfers In and Transfers Out, respectively.
- In 2017, \$24,282 of intergovernmental receipts were improperly recorded as miscellaneous receipts within the Street Maintenance and Repair fund.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$228 to \$2,920 that we have brought to the Village's attention.

Lack or failure of controls in place over financial reporting can result in errors that may go undetected and decreases the reliability of financial data throughout the year.

Additionally, errors were noted in the Village's note disclosures to the financial statements. The Risk Management note did not include the disclosures for the Public Entity Risk Pool and debt and jointly governed organization note disclosures were not included. Without accurate and complete note disclosures to the financial statements, the Village is at risk of omitting information important to understanding the financial position of the Village.

We recommend the Village develop procedures to help ensure that information is accurately posted to the accounting ledgers and thereby increasing the reliability of the financial data and reporting. We also recommend the Village utilize report shells provided by the Auditor of State and other resources to prepare financial statements and note disclosures. We also recommend having another Village representative review the financial statements before they are filed with the Auditor of State to ensure the information is complete and accurately reflects the financial activities of the Village.

**Officials' Response:** A procedure has been put in place to properly record income taxes and intergovernmental receipts on the financial statements.

VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(CONTINUED)

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

FINDING NUMBER 2018-002

**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.

The Village did not credit the State Highway Fund seven and one-half percent of their gasoline excise tax and state and local government highway distribution receipts. During 2018 and 2017 this resulted in State Highway Fund being understated by \$2,431 and \$2,389, respectively and the Street Maintenance and Repair Fund being overstated by \$2,431 and \$2,389, respectively. The amounts have been adjusted to the Village's financial statements and accounting ledgers.

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.

The Village should ensure gasoline excise tax and state and local government highway revenues are being posted to the correct funds.

**Officials' Response:** A procedure has been put in place to properly allot the gasoline tax received to the proper accounts for each receipt.

FINDING NUMBER 2018-003

**Material Weakness – Noncompliance – Receipt of Funds and Mayor's Court Expenditures**

**Ohio Rev. Code § 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. **Ohio Rev. Code § 5705.10(I)** also states that money paid into any fund shall be used only for the purpose for which such fund is established.

The Village has an established Mayor's Court agency fund and those funds that are received into that fund are to be used only for that purpose. The Village used Mayor Court Funds to pay for General Fund expenses. In 2018, \$1,557 of General Fund expenses were paid out of the Mayor's Court Fund and in 2017, \$672 of General Fund expenses were paid out of the Mayor's Court Fund.

During 2018 and 2017, \$1,929 and 1,921, respectively, of homestead and rollback receipts due the Fire Fund were incorrectly recorded in the General Fund. Also, during 2018 and 2017, Permissive Motor Vehicle License fees were recorded in the General Fund instead of the Permissive Motor Vehicle License Fund in the amounts of \$6,499 and \$4,753, respectively.

These adjustments have been reflected on the financial statements and accounting ledgers.

VILLAGE OF MARSHALLVILLE  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017  
(CONTINUED)

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

FINDING NUMBER 2018-003 (Continued)

**Material Weakness – Noncompliance – Receipt of Funds and Mayor’s Court Expenditures (Continued)**

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.

The Village should implement procedures to ensure the Mayor’s Court Fund expenditures are allowable per Ohio Revised Code §5705.10(I), and that per Ohio Revised Code §5705.10(D), receipts are properly recorded within the fund they are due.

**Officials’ Response:** A procedure has been put in place to properly deposit funds and expend Mayor’s Court funds.

FINDING NUMBER 2018-004

**Material Weakness – Noncompliance - Recording On-behalf Grants and Loans**

**Ohio Rev. Code § 5705.42** requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village of Marshallville did not record the entirety of the related revenues and expenditures and improperly recorded others for an Ohio Public Works Commission (OPWC) Project for the year ended December 31, 2017. The Village’s Issue 2 monies went directly from OPWC to the appropriate contractor, as is common procedure with Issue 2 funding, expended as both grant money and a loan on behalf of the Village. The Village recorded \$123,929 of grant disbursements as loan proceeds and did not record the receipt or expenditure for an additional \$1,299. Additionally, the receipts and expenditures related to \$10,109 of loan disbursements were not recorded. The financial statements and footnotes include the proper adjustments to reflect the Issue 2 project within the Water Enterprise Fund. Failure to record these amounts results in an understatement of receipts and disbursements on the Village’s financial statements.

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.

We recommend the Village be cognizant of on-behalf programs and record the activity properly in their accounting system.

**Officials’ Response:** After talking with the State Auditor, he provide the Fiscal Officer a website to look at year end in order to try to capture all non cash OPWC transactions on a more timely basis.

**Village of Marshallville  
Wayne County**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018 AND 2017**

| <b>Finding Number</b> | <b>Finding Summary</b>   | <b>Status</b>       | <b>Additional Information</b>  |
|-----------------------|--|---------------------|--|
| 2016-001              | Recording mayor's court activity                               | Partially corrected | All mayor's court activity has been added to the ledgers, but general fund expenses related to mayor's court were erroneously added to the agency fund. Repeated as finding 2018-003 |
| 2016-002              | Financial Statement Presentation                               | Not corrected       | Repeated as finding 2018-001   |
| 2016-003              | Ohio Rev. Code § 5735.28, recording state highway revenue      | Not corrected       | Repeated as finding 2018-002   |
| 2016-004              | Ohio Rev. Code § 5705.42, Recording On-behalf Grants and Loans | Not corrected       | Repeated as finding 2018-004   |



# OHIO AUDITOR OF STATE KEITH FABER



**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  
NOVEMBER 12, 2019**