VILLAGE OF MURRAY CITY, HOCKING COUNTY

Regular Audit

For the Years Ended December 31, 2007 and 2006

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Mary Taylor, CPA
Auditor of State

Village Council
Village of Murray City
13964 Locust Street
Murray City, Ohio 43144

We have reviewed the *Independent Auditor's Report* of the Village of Murray City, Hocking County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2007 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Murray City is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 23, 2008

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VILLAGE OF MURRAY CITY, HOCKING COUNTY
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For the Years Ended December 31, 2007 and 2006

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J.L. UHRIG
AND ASSOCIATES INC.
CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

Members of Council
Village of Murray City, Hocking County
13964 Locust Street
Murray City, Ohio 43144

We have audited the accompanying financial statements of the Village of Murray City, Hocking County (Village of Murray City) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village of Murray City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Murray City prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village of Murray City to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2007 and 2006. While the Village of Murray City does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village of Murray City has elected not to reformat its statements. Since the Village of Murray City does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Murray City as of December 31, 2007 and 2006, or its changes in financial position and cash flows, where applicable, for the years then ended.

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Also, in our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the combined fund cash balances of the Village of Murray City, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village of Murray City to include Management's Discussion and Analysis for the year ended December 31, 2007 and 2006. The Village of Murray City has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 29, 2008 on our consideration of the Village of Murray City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. 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 when considering the results of our audit.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 29, 2008

VILLAGE OF MURRAY CITY, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2007

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Totals
Cash Receipts:					
Local Taxes	$22,721	$6,104	$0	$0	$28,825
Intergovernmental	14,174	27,067	0	0	41,241
Charges for Services	7,333	0	0	0	7,333
Licenses, Permits, and Fees	14,778	0	0	0	14,778
Special Assessment	0	0	0	5,000	5,000
Interest	118	38	0	0	156
Other Revenue	7,078	1,192	0	0	8,270
Total Cash Receipts	66,202	34,401	0	5,000	105,603
Cash Disbursements:					
Current:					
General Government	30,511	182	0	0	30,693
Security of Persons & Property	20,138	1,047	0	0	21,185
Transportation	0	37,101	0	0	37,101
Capital Outlay	0	0	0	5,000	5,000
Debt Service:					
Redemption of Principal	0	0	994	0	994
Interest and Fiscal Charges	0	0	8	0	8
Total Cash Disbursements	50,649	38,330	1,002	5,000	94,981
Total Cash Receipts Over/(Under) Cash Disbursements	15,553	(3,929)	(1,002)	0	10,622
Other Financing Sources (Uses):					
Transfers In	0	3,012	1,103	0	4,115
Transfers Out	(4,115)	0	0	0	(4,115)
Total Other Financing Sources (Uses)	(4,115)	3,012	1,103	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	11,438	(917)	101	0	10,622
Fund Cash Balances, January 1	253	7,081	87	0	7,421
Fund Cash Balances, December 31	$11,691	$6,164	$188	$0	$18,043

See accompanying notes to the financial statements.

VILLAGE OF MURRAY CITY, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2007

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Agency	Totals
Operating Cash Receipts:			
Charges for Services	$79,128	$0	$79,128
Total Operating Cash Receipts	79,128	0	79,128
Operating Cash Disbursements:			
Personal Services	10,164	0	10,164
Fringe Benefits	1,521	0	1,521
Contractual Services	2,102	0	2,102
Supplies and Materials	11,335	0	11,335
Other	591	0	591
Capital Outlay	62,000	0	62,000
Total Operating Cash Disbursements	87,713	0	87,713
Operating Income/(Loss)	(8,585)	0	(8,585)
Non-Operating Cash Receipts (Disbursements):			
Other Non-Operating Cash Receipts	0	16,447	16,447
Other Non-Operating Cash Disbursements	0	(16,447)	(16,447)
Total Non-Operating Cash Receipts (Disbursements)	0	0	0
Net Receipts Over/(Under) Disbursements	(8,585)	0	(8,585)
Fund Cash Balances, January 1	9,909	0	9,909
Fund Cash Balances, December 31	$1,324	$0	$1,324

See accompanying notes to the financial statements.

VILLAGE OF MURRAY CITY, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2006

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Totals
Cash Receipts:				
Local Taxes	$21,936	$6,154	$0	$28,090
Intergovernmental	16,080	21,067	0	37,147
Charges for Services	2,900	0	0	2,900
Licenses, Permits, and Fees	24,765	0	0	24,765
Interest	101	35	0	136
Other Revenue	16,676	0	0	16,676
Total Cash Receipts	82,458	27,256	0	109,714
Cash Disbursements:				
Current:				
General Government	26,803	194	0	26,997
Security of Persons & Property	53,128	0	0	53,128
Transportation	0	23,786	0	23,786
Debt Service:				
Redemption of Principal	0	0	2,120	2,120
Interest and Fiscal Charges	0	0	87	87
Total Cash Disbursements	79,931	23,980	2,207	106,118
Total Cash Receipts Over/(Under) Cash Disbursements	2,527	3,276	(2,207)	3,596
Other Financing Sources (Uses):				
Transfers In	0	1,084	2,200	3,284
Transfers Out	(3,284)	0	0	(3,284)
Total Other Financing Sources (Uses)	(3,284)	1,084	2,200	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(757)	4,360	(7)	3,596
Fund Cash Balances, January 1	1,010	2,721	94	3,825
Fund Cash Balances, December 31	$253	$7,081	$87	$7,421

See accompanying notes to the financial statements.

VILLAGE OF MURRAY CITY, HOCKING COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types and Similar Fiduciary Funds
For the Year Ended December 31, 2006

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Agency	Totals
Operating Cash Receipts:			
Charges for Services	$89,388	$0	$89,388
Total Operating Cash Receipts	89,388	0	89,388
Operating Cash Disbursements:			
Personal Services	7,796	0	7,796
Fringe Benefits	3,531	0	3,531
Contractual Services	2,065	0	2,065
Supplies and Materials	8,635	0	8,635
Other	575	0	575
Capital Outlay	59,539	0	59,539
Total Operating Cash Disbursements	82,141	0	82,141
Operating Income/(Loss)	7,247	0	7,247
Non-Operating Cash Receipts (Disbursements):			
Other Non-Operating Cash Receipts	0	32,557	32,557
Other Non-Operating Cash Disbursements	0	(32,565)	(32,565)
Total Non-Operating Cash Receipts (Disbursements)	0	(8)	(8)
Net Receipts Over/(Under) Disbursements	7,247	(8)	7,239
Fund Cash Balances, January 1	2,662	8	2,670
Fund Cash Balances, December 31	$9,909	$0	$9,909

See accompanying notes to the financial statements.

Note 1 – Reporting Entity

The Village of Murray City, Hocking County, Ohio (the Village), 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. The Village is directed by a publicly elected six-member Village Council. The Village also has an elected Mayor and an elected Village Fiscal Officer.

The Village provides general government services, street maintenance and water utilities operations, park operations, and police protection services. The Village appropriates General Fund money to support a volunteer fire department.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Village financial statements were prepared on the basis of accounting prescribed or permitted by the Auditor of State. This basis is similar to the cash receipts and disbursements accounting basis. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Fund Accounting

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

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

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

Street Maintenance and Repair Fund – This fund receives real estate tax, tangible personal property tax and homestead and rollback tax money for constructing, maintaining and repairing Village roads and bridges.

Proprietary Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village had the following significant Proprietary Fund:

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

Fiduciary Funds: These funds are used to account for custodial funds held by the Village acting as an agent for another government, organization, individual, or fund. The Village had the following significant fiduciary fund:

Note 2 – Summary of Significant Accounting Policies (continued)

Mayor's Court Fund – This agency fund is used to account for the activities of the Mayor's Court.

Budgetary Process

The Ohio Revised Code requires that each Village fund, except Agency Funds, be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The Hocking County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources.

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

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The sum of the disbursements and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village basis of accounting.

Note 3 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2007	December 31, 2006
Demand Deposits	$19,367	$17,330

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

Note 4 – Budgetary Basis of Accounting

The Village's budgetary activity for the years ending December 31, 2007 and December 31, 2006 was as follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Receipts Budgeted	Receipts Actual	Variance
General	$85,173	$66,202	$(18,971)
Special Revenue	31,659	37,413	5,754
Debt Service	1,103	1,103	0
Capital Projects	0	5,000	5,000
Enterprise	90,000	79,128	(10,872)
Total	$207,935	$188,846	$(19,089)

2007 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	$77,991	$54,764	$23,227
Special Revenue	44,204	38,330	5,874
Debt Service	1,190	1,002	188
Capital Projects	10,000	5,000	5,000
Enterprise	94,220	87,713	6,507
Total	$227,605	$186,910	$40,695

Note 4 – Budgetary Basis of Accounting -(Continued)

2006 Budgeted vs. Actual Receipts

	Receipts		
Fund Type	Budgeted	Actual	Variance
General	$85,957	$82,458	$(3,499)
Special Revenue	26,104	28,340	2,236
Debt Service	3,210	2,200	(1,010)
Enterprise	86,400	89,388	2,988
Total	$201,671	$202,386	$715

2006 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	$86,599	$83,215	$3,384
Special Revenue	28,793	23,980	4,813
Debt Service	2,207	2,207	0
Enterprise	87,781	82,141	5,640
Total	$205,380	$191,543	$13,837

Note 5- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2007 follows:

	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amount Due in One Year
Governmental Fund Types:					
Police Cruiser Loan - 4.00%	$994	$0	$994	$0	$0
Total Governmental Fund Types	$994	$0	$994	$0	$0

Note 5- Long-Term Obligations – (Continued)

A schedule of changes in long-term obligations of the Village during 2006 follows:

	Principal Outstanding 12/31/05	Additions	Deductions	Principal Outstanding 12/31/06	Amount Due in One Year
Governmental Fund Types:					
Police Cruiser Loan - 4.00%	$3,114	$0	$2,120	$994	$994
Total Governmental Fund Types	$3,114	$0	$2,120	$994	$994

Note 6– Property Taxes

Real property taxes become a lien on January 1 proceeding 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 semi-annual payments, the first half is due December 31, and the second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by April 30. Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the Village prior to June 30.

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

Note 7 – Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007 and 2006, the Village obtained commercial insurance from private carriers.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Village pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 8 – Retirement Systems

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9.75 percent. The Village's contribution rate for pension benefits for 2007 was 7.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village of Murray City's pension contributions were 13.85 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2006 was 9.2 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 13.70 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were $2,553, $4,145, and $4,091, respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 9 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 6.00 percent of covered payroll was the portion that was used to fund health care. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 5.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 374,979. Actual employer contributions which were used to fund postemployment benefits for 2007 were $1,952 and for 2006 were $2,028. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Budgetary Compliance

The Village had the following citations for budgetary noncompliance:

> The Village failed to obtain a reduced amended certificate when the actual resources fell below the level of appropriations, contrary to ORC Section 5704.36(A)(4).
>
> The Village made appropriations in excess of total estimated resources, contrary to ORC Section 5705.39.

Note 11 – Subsequent Events

The Village has obtained financing through the Ohio Public Works Commission to replace the water system. The project is scheduled to begin in 2008. Funding has been projected as a CDBG Grant and an OPWC loan.

Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Members of Council
Village of Murray City, Hocking County
13964 Locust Street
Murray City, Ohio 43144

We have audited the accompanying financial statements of the Village of Murray City, Hocking County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated May 29, 2008, wherein we noted that the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United Sates of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement. We consider the deficiency described as finding 2007-005 in the accompanying schedule of findings to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described as finding 2007-005 in the accompanying schedule of findings, is also a material weakness.

Compliance and Other Matters

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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We also noted certain matters that we reported to the Village's management in a separate letter dated May 29, 2008.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 29, 2008

Finding Number 2007-001

Financial Record Keeping and Reporting - Noncompliance Citation

The fact that the posting errors resulting in adjusting and reclassification entries occurred, indicates a significant deficiency in the internal controls over financial record keeping and reporting. Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record, and report its transactions, maintain accountability for the related assets, and prepare financial statements required by Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger, and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

Although the Village utilizes the Uniform Accounting Network (UAN) System developed and monitored by the Auditor of State, several receipts and disbursements were manually recorded, but were not posted to the Village's accounting system. Some transactions were not recorded on the system in a timely manner and several receipts were not classified correctly. This did not allow the Fiscal Officer to accurately record and report the financial activity of the Village.

This resulted in several adjustments to the Village's financial statements.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and the description of accounts in the UAN System and maintain the required ledgers in the manner prescribed therein. We also recommend that the activity of the Mayor's Court be included in the financial statements of the Village at year end.

Officials Response

The Village Fiscal Officer has indicated that she will review the requirements and maintain the ledgers as prescribed.

Finding Number 2007-002

Negative Fund Balances - Noncompliance Citation

Ohio Rev. Code Section 5705.10 states that monies paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At December 31, 2007, there was a negative fund balance in the Water Fund.

We recommend the Village not make disbursements from a fund if the result will be a negative fund balance.

Officials Response

The Village Fiscal Officer will monitor the fund balances closely to help ensure that disbursements from any fund will not result in a negative fund balance.

Finding Number 2007-003

Actual Receipts less than Estimated Receipts - Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriations.

Actual receipts were significantly less than estimated receipts, reducing available resources below the level of appropriations in the General Fund by $11, 410 in 2007 and by $3,266 in 2006. Since the expenditure of Village funds is based on estimated resources, instances when actual receipts do not meet budgetary estimates could lead to overspending.

The Village Fiscal Officer should monitor estimated and actual receipts. When it is apparent that actual receipts will fall short of budgetary estimates, the Fiscal Officer should obtain a reduced amended certificate from the County Budget Commission. The Village Council should then make corresponding reductions in appropriations.

Officials Response

The Village Fiscal Officer will monitor estimated and actual receipts and request the appropriate amended certificates.

Finding Number 2007-004

Appropriations exceeded Estimated Resources - Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that appropriations to any fund shall not exceed that fund's estimated resources.

Appropriations exceeded estimated resources in the Street Fund by $69,873 and in the Capital Projects Fund $10,000 in 2007, and in the 2004 FEMA Fund by $1,084 in 2006.

The Village Council should not make appropriations to any fund in excess of the amount of that fund's estimated resources.

Officials Response

The Village Fiscal Officer has indicated that appropriations compared to estimated resources will be monitored more closely in the immediate future.

Finding Number 2007-005

Segregation of Duties - Material Weakness

Management has a key role to play in ensuring the Village establishes and maintains effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a material weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations included in our report. The small size of the Village's staff did not allow for an adequate segregation of duties as the Village Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies.

Monitoring controls could be implemented where the Village Council could monitor financial activity closely and follow up on any audit findings.

We recommend Council become more actively involved in monitoring the financial activity of the Village. Council should assure that the Fiscal Officer performs a monthly bank reconciliation. Council should review the validity of the computations and attest to their accuracy. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

Officials Response

Council has indicated that they will be more active in monitoring and supervising financial activity.

Finding Number	Description	Status	Comments
	Government Auditing Standards:		
2005-VMCHC-001	Ohio Rev. Code Section 5705.41(D) requires the certificate of the fiscal officer to be obtained prior to the obligation of Village funds.	Fully Corrected	
2005-VMCHC-002	Segregation of Duties	Not Corrected	Reissued as 2007-006
2005-VMCHC-003	Bank Reconciliations	Fully Corrected	
2005-VMCHC-004	Ohio Rev. Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources available.	Not Corrected	Reissued as 2007-005
2005-VMCHC-005	Ohio Rev. Code Section 5705.41(B) prohibits expending monies that have not been appropriated.	Fully Corrected	
2005-VMCHC-006	Ohio Rev. Code Section 5705.10 prohibiting negative fund balances.	Not Corrected	Reissued as 2007-003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Contact Person
2007-001	The Village will maintain required accounting ledgers as prescribed and make all postings to the UAN system in a timely manner.	Immediate future	Freda Spencer, Fiscal Officer
2007-002	The Village will not spend monies from any fund that will cause a negative fund balance.	Immediate future	Freda Spencer, Fiscal Officer
2007-003	The Village will monitor estimated versus actual receipts and request amended certificates when necessary.	Immediate future	Freda Spencer, Fiscal Officer
2007-004	The Village will monitor appropriations versus estimated resources to help ensure that appropriations do not exceed resources.	Immediate future	Freda Spencer, Fiscal Officer
2007-005	The Village Council will monitor the financial activity of the Village.	Immediate future	Freda Spencer, Fiscal Officer

Mary Taylor, CPA
Auditor of State

VILLAGE OF MURRAY CITY

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 3, 2008

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