

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

AUDIT REPORT

JANUARY 1, 2010 – DECEMBER 31, 2011

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Village Council
Village of Martinsburg
P.O. Box 68
Martinsburg, Ohio 43037

We have reviewed the *Independent Auditors' Report* of the Village of Martinsburg, Knox County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2010 through December 31, 2011. 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, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' 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 Auditors' 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 Martinsburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 21, 2012

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**VILLAGE OF MARTINSBURG
KNOX COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Village of Martinsburg
Knox County
P.O. Box 68
Martinsburg, Ohio 43037

To the Village Council:

We have audited the accompanying financial statement of the Village of Martinsburg, Knox County as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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. 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 1, the Village has 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also to presenting the Government's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Governments to reformat their statements. The Village has elected not to follow GAAP statement reformatting requirements. 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 paragraph, the financial statements referred to above for the years ending December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Martinsburg as of December 31, 2011 and 2010, and or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Martinsburg, Knox County, as of December 31, 2011 and 2010, and the reserve for encumbrances as of December 31, 2010 of the Village of Martinsburg, Knox County and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Village of Martinsburg
Independent Auditors' Report
Page Two

As described in Note 1, during 2011 the Village of Martinsburg adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 2012, on our consideration of the Village of Martinsburg's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did 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. You should read it in conjunction with this report in assessing the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 25, 2012

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

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

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 10,390	\$ 410	\$ 10,800
Intergovernmental Receipts	14,832	1,800	16,632
Earnings on Investments	5	1	6
Total Cash Receipts	<u>25,227</u>	<u>2,211</u>	<u>27,438</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	220	-	220
Public Health Services	2,120	-	2,120
Leisure Time Activities	423	-	423
Basic Utility Services	-	1,676	1,676
Transportation	-	1,907	1,907
General Government	17,731	-	17,731
Total Cash Disbursements	<u>20,494</u>	<u>3,583</u>	<u>24,077</u>
Total Receipts Over/(Under) Disbursements	4,733	(1,372)	3,361
Fund Cash Balances, January 1, 2011	<u>3,267</u>	<u>2,618</u>	<u>5,885</u>
Fund Cash Balances, December 31, 2011			
Restricted	-	1,246	1,246
Unassigned	8,000	-	8,000
Fund Cash Balances, December 31, 2011	<u>\$ 8,000</u>	<u>\$ 1,246</u>	<u>\$ 9,246</u>

See notes to financial statements.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 30,896	\$ -	\$ 30,896
Contributions and Donations	-	2,151	2,151
Total Operating Cash Receipts	<u>30,896</u>	<u>2,151</u>	<u>33,047</u>
Operating Cash Disbursements:			
Personal Services	6,637	-	6,637
Employee Fringe Benefits	2,182	-	2,182
Contractual Services	15,056	-	15,056
Supplies and Materials	1,804	4,184	5,988
Other	264	-	264
Total Operating Cash Disbursements	<u>25,943</u>	<u>4,184</u>	<u>30,127</u>
Excess of Receipts Over/(Under) Disbursements	4,953	(2,033)	2,920
Fund Cash Balances, January 1, 2011	<u>45</u>	<u>4,008</u>	<u>4,053</u>
Fund Cash Balances, December 31, 2011	<u>\$ 4,998</u>	<u>\$ 1,975</u>	<u>\$ 6,973</u>

See notes to financial statements.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 11,529	\$ 569	\$ 12,098
Intergovernmental Receipts	14,577	2,370	16,947
Earnings on Investments	<u>3</u>	<u>2</u>	<u>5</u>
Total Cash Receipts	<u>26,109</u>	<u>2,941</u>	<u>29,050</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	488	-	488
Public Health Services	2,800	-	2,800
Leisure Time Activities	478	-	478
Basic Utility Services	-	1,633	1,633
Transportation	-	4,621	4,621
General Government	<u>23,147</u>	<u>-</u>	<u>23,147</u>
Total Cash Disbursements	<u>26,913</u>	<u>6,254</u>	<u>33,167</u>
Total Receipts Over/(Under) Disbursements	(804)	(3,313)	(4,117)
Fund Cash Balances, January 1, 2010	<u>4,071</u>	<u>5,931</u>	<u>10,002</u>
Fund Cash Balances, December 31, 2010	<u>\$ 3,267</u>	<u>\$ 2,618</u>	<u>\$ 5,885</u>
Reserve for Encumbrances, December 31, 2010	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 243</u>

See notes to financial statements.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY FUND TYPE AND AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>(Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 27,458	\$ -	\$ 27,458
Contributions and Donations	-	3,491	3,491
Total Operating Cash Receipts	<u>27,458</u>	<u>3,491</u>	<u>30,949</u>
Operating Cash Disbursements:			
Personal Services	11,300	-	11,300
Employee Fringe Benefits	2,881	-	2,881
Contractual Services	14,705	-	14,705
Supplies and Materials	1,638	1,353	2,991
Other	202	-	202
Total Operating Cash Disbursements	<u>30,726</u>	<u>1,353</u>	<u>32,079</u>
Excess of Receipts Over/(Under) Disbursements	(3,268)	2,138	(1,130)
Fund Cash Balances, January 1, 2010	<u>3,313</u>	<u>1,870</u>	<u>5,183</u>
Fund Cash Balances, December 31, 2010	<u>\$ 45</u>	<u>\$ 4,008</u>	<u>\$ 4,053</u>
Reserve for Encumbrances, December 31, 2010	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 40</u>

See notes to financial statements.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Martinsburg, Knox County, Ohio (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities and street maintenance.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village invests all available funds of the Village in an interest-bearing checking account. Interest income earned and received by the Village totaled \$6 and \$5 for the years ended December 31, 2011 and 2010, respectively.

D. 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:

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Enterprise Funds

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

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

Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Fund:

Parks and Recreation Fund - This fund receives monies from various contributions and donations for the construction of a new skate park in the Village.

E. Budgetary Process

The Ohio Revised Code requires that the Village budget 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. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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* via formal action (resolution). The Village must adhere to these commitments unless 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 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 ordinance, or by State Statute.

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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.

G. Property, Plant, and Equipment

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2011	2010
Demand Deposits	\$ 16,219	\$ 9,938
Total deposits and investments	<u>\$ 16,219</u>	<u>\$ 9,938</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2011 and 2010 is as follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,538	\$ 25,227	\$ (1,311)
Special Revenue	9,100	2,211	(6,889)
Enterprise	34,198	30,896	(3,302)
Total	<u>\$ 69,836</u>	<u>\$ 58,334</u>	<u>\$ (11,502)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 30,376	\$ 20,494	\$ 9,882
Special Revenue	24,154	3,583	20,571
Enterprise	35,173	25,943	9,230
Total	<u>\$ 89,703</u>	<u>\$ 50,020</u>	<u>\$ 39,683</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 24,523	\$ 26,109	\$ 1,586
Special Revenue	9,100	2,941	(6,159)
Enterprise	36,198	27,458	(8,740)
Total	<u>\$ 69,821</u>	<u>\$ 56,508</u>	<u>\$ (13,313)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 30,469	\$ 27,156	\$ 3,313
Special Revenue	21,308	6,254	15,054
Enterprise	31,077	30,766	311
Total	<u>\$ 82,854</u>	<u>\$ 64,176</u>	<u>\$ 18,678</u>

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio Revised Code Section 5705.39, the Village had funds where the appropriations exceeded estimated revenue.

Contrary to Ohio Revised Code Section 5705.41(D), the Village made disbursements without prior certification of availability.

Contrary to Ohio Revised Code Section 5705.36, the Village should have received reduced certificates.

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members of PERS contributed 10% of their wages, respectively. The Village contributed an amount equal to 14.00% of participants gross salaries for 2011 and 2010, respectively. The Village has paid all contributions required through December 31, 2011.

6. RISK MANAGEMENT

Commercial Insurance

The Village obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions

7. CONTINGENT LIABILITIES

The Village is currently not involved in litigation.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Village of Martinsburg
Knox County
P.O. Box 68
Martinsburg, Ohio 43037

To the Village Council:

We have audited the financial statements of Village of Martinsburg as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 25, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village adopted Governmental Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Martinsburg's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings,, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness..

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2011-01 described in the accompanying schedule of findings to be a material weakness.

We noted other matters involving internal control over financial reporting, which we have reported to management of the Village of Martinsburg in a separate letter dated April 25, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Martinsburg'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 have directly and materially affect 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2011-02 and 2011-03.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of Martinsburg in a separate letter dated April 25, 2012.

Village of Martinsburg's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Martinsburg's responses and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the Village's management, Auditor of State, and others within the Village. We intend it for no one other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 25, 2012

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-01

Material Weakness

The Village is required to provide financial statements free from material misstatements in accordance with the UAN Village Handbook.

The Village has a Parks and Recreation Fund that holds funds for other parties and cannot be used to finance the Village's own operating programs. This fund should be classified as a agency fund. The Village had classified it as a Special Revenue Fund and did not record the activity in its financial records.

A audit adjustment was necessary to record \$2,151 of receipts and \$4,184 of disbursements for 2011 in the Parks and Recreation Fund and a audit adjustment was needed to record \$3,491 of receipts and \$1,353 of disbursements for 2010 in the Parks and Recreation Fund. An audit adjustment was needed to re-class the Parks and Recreation Fund from being a Special Revenue Fund to an Agency Fund. All adjustments have been made to the Village's accounting system.

Presentation of the financial statements and footnotes is the responsibility of the Village's management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Client Response: We agree with finding and have re-classed the Parks and Recreation Fund to a Agency Fund and have recorded all activity.

FINDING NUMBER 2011-02

Noncompliance Citation

Ohio Revised Code Section 5705.36 (A)(4) states that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

As of December 31, 2011, all of the Village's funds had appropriations greater than actual resources, which consisted of actual receipts, beginning unencumbered fund balance and prior year encumbrances appropriated. As of December 31, 2010, all of the Village's funds except the General Fund had appropriations greater than actual resources, which consisted of actual receipts, beginning unencumbered fund balance and prior year encumbrances appropriated.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed.

Client Response: The Village is attempting to monitor the budget more closely.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Clerk of the subdivision. The Clerk must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 53% in 2011 and 53% in 2010 of the expenditures tested.

The Clerk should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. re than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Village can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Clerk to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Clerk without subsequent authorization from the Council. However, then and now certificates issued by the Clerk over \$3,000, must be authorized by the Council within thirty days after payment.

Client Response: We agree with finding and will try to improve in the future.

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-VOM-001	Material Weakness Bank Reconciliation	Yes	Finding No Longer Valid
2009-VOM-002	Material Weakness Financial Reporting	No	In current audit as Finding 2011-01
2009-VOM-003	ORC 5705.36 (A)(4) Appropriations exceed actual resources	No	In current audit as Finding 2011-02
2009-VOM-004	ORC 5705.40 Amending Appropriations for expenditures exceeding appropriations	Yes	Finding No Longer Valid
2009-VOM-005	OTC 5705.41(B) Expenditures exceeding appropriations	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

VILLAGE OF MARTINSBURG

KNOX 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 03, 2012