



OHIO AUDITOR OF STATE  
**KEITH FABER**





**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Village of Martinsville  
Clinton County  
P.O. Box 177  
Martinsville, Ohio 45146

To the Village Council:

We have selectively tested certain accounts, financial records, reports and other documentation of the Village of Martinsville, Clinton County, (the Village), as of and for the years ended December 31, 2017, 2016 and 2015. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2017-003, 2017-004, 2017-008 and 2017-012 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

### ***Compliance and Other Matters***

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as item 2017-001, 2017-002, 2017-004 through 2017-011, and 2017-013 through 2017-014.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State

Columbus, Ohio

October 29, 2019

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**Village of Martinsville, Ohio**  
*Clinton 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 Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Unclassified	\$42,367	\$51,053	\$93,420
<i>Total Cash Receipts</i>	42,367	51,053	93,420
<b>Cash Disbursements</b>			
Unclassified	30,092	67,233	97,325
<i>Total Cash Disbursements</i>	30,092	67,233	97,325
<i>Excess of Receipts Over (Under) Disbursements</i>	12,275	(16,180)	(3,905)
<i>Net Change in Fund Cash Balances</i>	12,275	(16,180)	(3,905)
<i>Fund Cash Balances, January 1</i>	4,186	74,113	78,299
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	57,932	57,932
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	16,461	1	16,462
<i>Fund Cash Balances, December 31</i>	<u>\$16,461</u>	<u>\$57,933</u>	<u>\$74,394</u>

*See accompanying notes to the basic financial statements*

**Village of Martinsville, Ohio**  
*Clinton 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*

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	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Unclassified	\$19,436
<i>Total Operating Cash Receipts</i>	<u>19,436</u>
<b>Operating Cash Disbursements</b>	
Unclassified	<u>18,727</u>
<i>Total Operating Cash Disbursements</i>	<u>18,727</u>
<i>Operating Income (Loss)</i>	<u>709</u>
<i>Net Change in Fund Cash Balances</i>	709
<i>Fund Cash Balances, January 1</i>	<u>39,260</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$39,969</u></u>

*See accompanying notes to the basic financial statements*



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

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**Note 1 - Reporting Entity**

The Village of Martinsville (the Village), Clinton 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 contracts with the Clinton County Sheriff's department to provide police protection services. Fire protection is provided by the Clark Township Volunteer Fire Department.

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

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 10 to the financial statements provide additional information for these entities. These organizations are:

*Public Entity Risk Pool:*

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

*Jointly Governed Organization:*

Clinton County Regional Planning Commission – formulates and reviews plans affecting long and short term social, economic, and governmental development within the region which includes the Village.

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 fiduciary fund types which are organized on a fund type basis.

***Deposits and Investments***

The Village deposits all available funds in an interest bearing checking account at a local commercial bank.

***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.

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

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**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** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Street Lighting Fund** This fund received special assessment money for maintaining and repairing the Village street lights.

**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 Fund:

**Refuse Operating Fund** This fund receives charges for services from residents to cover the cost of providing this utility.

***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 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. Appropriations lapse at year end.

**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. The Village did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

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

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***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.

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.

***Property, Plant and Equipment***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Maintenance Repair fund by \$22,595 for the year ended December 31, 2017.

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

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,000	\$42,367	\$8,367
Special Revenue	20,900	51,053	30,153
Enterprise	18,000	19,436	1,436
Total	\$72,900	\$112,856	\$39,956

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,331	\$30,092	\$18,239
Special Revenue	51,499	67,233	(15,734)
Enterprise	19,000	18,727	273
Total	\$118,830	\$116,052	\$2,778

**Note 5 – Deposits**

The Village maintains a deposit 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:

Demand deposits	2017
	\$114,362

***Deposits***

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

**Note 6 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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**Note 7 - 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.

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.

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

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 \$2,038.

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.

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

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**2017 Contributions to PEP**  
\$3,236

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 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most 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.

***Social Security***

Some Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

**Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10- Jointly Governed Organizations**

The constitution and laws of the State of Ohio establish the right and privileges for the Clinton County Regional Planning Commission, Clinton County, Ohio (the Commission), as a body corporate and politic. An appointed 13 member Board governs the Commission. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. The Commission formulates and reviews plans affecting long and short term social, economic, and governmental development within the region. The participating subdivisions are:

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

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Clinton County	Village of Blanchester	Village of New Vienna
City of Wilmington	Village of Port William	Union Township
Village of Martinsville	Village of Clarksville	
Village of Midland	Village of Sabina	

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**Village of Martinsville, Ohio**  
*Clinton County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Unclassified	\$28,918	\$24,359	\$53,277
<i>Total Cash Receipts</i>	<u>28,918</u>	<u>24,359</u>	<u>53,277</u>
<b>Cash Disbursements</b>			
Unclassified	28,832	9,868	38,700
<i>Total Cash Disbursements</i>	<u>28,832</u>	<u>9,868</u>	<u>38,700</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>86</u>	<u>14,491</u>	<u>14,577</u>
<i>Net Change in Fund Cash Balances</i>	86	14,491	14,577
<i>Fund Cash Balances, January 1</i>	<u>4,100</u>	<u>59,622</u>	<u>63,722</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	74,113	74,113
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	<u>4,186</u>	<u>0</u>	<u>4,186</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,186</u></u>	<u><u>\$74,113</u></u>	<u><u>\$78,299</u></u>

*See accompanying notes to the basic financial statements*

**Village of Martinsville, Ohio**  
*Clinton 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, 2016*

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	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Unclassified	\$19,452
<i>Total Operating Cash Receipts</i>	<u>19,452</u>
<b>Operating Cash Disbursements</b>	
Unclassified	<u>22,267</u>
<i>Total Operating Cash Disbursements</i>	<u>22,267</u>
<i>Operating Income (Loss)</i>	<u>(2,815)</u>
<i>Net Change in Fund Cash Balances</i>	(2,815)
<i>Fund Cash Balances, January 1</i>	<u>42,075</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$39,260</u></u>

*See accompanying notes to the basic financial statements*

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 1 - Reporting Entity**

The Village of Martinsville (the Village), Clinton 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 contracts with the Clinton County Sheriff's department to provide police protection services. Fire protection is provided by the Clark Township Volunteer Fire Department.

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

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 10 to the financial statements provide additional information for these entities. These organizations are:

*Public Entity Risk Pool:*

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

*Jointly Governed Organization:*

Clinton County Regional Planning Commission – formulates and reviews plans affecting long and short term social, economic, and governmental development within the region which includes the Village.

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 fiduciary fund types which are organized on a fund type basis.

***Deposits and Investments***

The Village deposits all available funds in an interest bearing checking account at a local commercial bank.

***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.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**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** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Street Lighting Fund** This fund received special assessment money for maintaining and repairing the Village street lights.

**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 Fund:

**Refuse Operating Fund** This fund receives charges for services from residents to cover the cost of providing this utility.

***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 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. Appropriations lapse at year end.

**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. The Village did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

***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.

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.

***Property, Plant and Equipment***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Revenue fund by \$3,055 and in the Refuse Revenue fund by \$1,755 for the year ended December 31, 2016.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,500	\$28,918	(\$582)
Special Revenue	20,900	24,359	3,459
Enterprise	18,800	19,452	652
Total	\$69,200	\$72,729	\$3,529

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,094	\$28,832	\$6,262
Special Revenue	51,699	9,868	41,831
Enterprise	19,000	22,267	(3,267)
Total	\$105,793	\$60,967	\$44,826

**Note 5 – Deposits**

The Village maintains a deposit 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:

Demand deposits	2016
	\$117,559

***Deposits***

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

**Note 6 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<b>2016</b>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Government's share of these unpaid claims collectible in future years is approximately \$2,509.

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

<u>2016 Contributions to PEP</u>
\$3,982

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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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 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some 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, 2016.

***Social Security***

Some Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

**Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Jointly Governed Organizations**

The constitution and laws of the State of Ohio establish the right and privileges for the Clinton Countyregional Planning Commission, Clinton County, Ohio (the Commission), as a body corporate and politic. An appointed 13 member Board governs the Commission. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. The Commission formulates and reviews plans affecting long and short term social, economic, and governmental development within the region. The participating subdivisions are:



**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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Clinton County	Village of Blanchester	Village of New Vienna
City of Wilmington	Village of Port William	Union Township
Village of Martinsville	Village of Clarksville	
Village of Midland	Village of Sabina	

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**Village of Martinsville, Ohio**

*Clinton County*

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

*All Governmental Fund Types*

*For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property Taxes	\$11,415		\$11,415
Intergovernmental	13,487	16,280	29,767
Special Assessments		7,048	7,048
Earnings on Investments	20		20
Miscellaneous	37,830		37,830
<i>Total Cash Receipts</i>	<u>62,752</u>	<u>23,328</u>	<u>86,080</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	3,600		3,600
Transportation		20,673	20,673
General Government	25,984		25,984
<i>Total Cash Disbursements</i>	<u>29,584</u>	<u>20,673</u>	<u>50,257</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33,168</u>	<u>2,655</u>	<u>35,823</u>
<i>Net Change in Fund Cash Balances</i>	33,168	2,655	35,823
<i>Fund Cash Balances, January 1</i>	<u>(29,068)</u>	<u>56,967</u>	<u>27,899</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	0	0
Restricted	0	59,622	59,622
Committed	0	0	0
Assigned	0	0	0
Unassigned (Deficit)	4,100	0	4,100
<i>Fund Cash Balances, December 31</i>	<u><u>\$4,100</u></u>	<u><u>\$59,622</u></u>	<u><u>\$63,722</u></u>

*See accompanying notes to the basic financial statements*

**Village of Martinsville, Ohio**  
*Clinton 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, 2015*

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$52,574
Miscellaneous	1,833
	54,407
 <b>Operating Cash Disbursements</b>	
Employee Fringe Benefits	6,106
Contractual Services	43,780
Supplies and Materials	9,225
	59,111
 <i>Total Operating Cash Receipts</i>	 54,407
 <i>Total Operating Cash Disbursements</i>	 59,111
 <i>Operating Income (Loss)</i>	 (4,704)
 <i>Net Change in Fund Cash Balances</i>	 (4,704)
 <i>Fund Cash Balances, January 1</i>	 46,779
 <i>Fund Cash Balances, December 31</i>	 \$42,075

*See accompanying notes to the basic financial statements*

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 - Reporting Entity**

The Village of Martinsville (the Village), Clinton 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 contracts with the Clinton County Sheriff's department to provide police protection services. Fire protection is provided by the Clark Township Volunteer Fire Department.

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

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 10 to the financial statements provide additional information for these entities. These organizations are:

*Public Entity Risk Pool:*

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

*Jointly Governed Organization:*

Clinton County Regional Planning Commission – formulates and reviews plans affecting long and short term social, economic, and governmental development within the region which includes the Village.

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 fiduciary fund types which are organized on a fund type basis.

***Deposits and Investments***

The Village deposits all available funds in an interest bearing checking account at a local commercial bank.

***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.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**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** This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**Street Lighting Fund** This fund received special assessment money for maintaining and repairing the Village street lights.

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

**Refuse Operating Fund** This fund receives charges for services from residents to cover the cost of providing this utility.

***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 Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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 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. Appropriations lapse at year end.

**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. The Village did not encumber all commitments required by Ohio law. A summary of 2015 budgetary activity appears in Note 4.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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***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.

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.

***Property, Plant and Equipment***

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$5,666 for the year ended December 31, 2015.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,250	\$62,752	\$38,502
Special Revenue	18,500	23,328	4,828
Enterprise	140,400	54,407	(85,993)
Total	\$183,150	\$140,487	(\$42,663)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23,917	\$29,584	(\$5,667)
Special Revenue	42,141	20,673	21,468
Enterprise	151,425	59,111	92,314
Total	\$217,483	\$109,368	\$108,115

**Note 5 – Deposits**

The Village maintains a deposit 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:

Demand deposits	2015
	\$105,797

***Deposits***

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

**Note 6 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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



**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 7 - 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$2,927.

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.

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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**2015 Contributions to PEP**

\$4,646

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 8- Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most 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, 2015.

***Social Security***

Some Village's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**Note 9 - 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Jointly Governed Organizations**

The constitution and laws of the State of Ohio establish the right and privileges for the Clinton County Regional Planning Commission, Clinton County, Ohio (the Commission), as a body corporate and politic. An appointed 13 member Board governs the Commission. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. The Commission formulates and reviews plans affecting long and short term social, economic, and governmental development within the region. The participating subdivisions are:

**Village of Martinsville, Ohio**  
*Clinton County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2015*

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Clinton County	Village of Blanchester	Village of New Vienna
City of Wilmington	Village of Port William	Union Township
Village of Martinsville	Village of Clarksville	
Village of Midland	Village of Sabina	

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**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017, 2016 AND 2015**

**FINDING NUMBER 2017-001**

**Noncompliance – Permissive Motor Vehicle Tax Fund**

**Ohio Rev. Code § 5705.09** states each subdivision shall establish the following funds:

- (A) General fund;
- (B) Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- (C) Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- (D) A special fund for each special levy;
- (E) A special bond fund for each bond issue;
- (F) A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- (G) A special fund for each public utility operated by a subdivision;
- (H) A trust fund for any amount received by a subdivision in trust.

The Village did not establish a Permissive Motor Vehicle License Tax Fund. The Village posted Permissive Motor Vehicle License Tax to the Street Maintenance and Repair Fund, which has similar requirements for expenditures.

We recommend that the Village establish the Permissive Motor Vehicle License Tax Fund and post all Permissive Motor Vehicle License Tax received to this fund accordingly, as well as all related disbursements.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-002**

**Noncompliance - Minutes**

**Ohio Rev. Code § 121.22(C)** imposes a duty on the Village to maintain a full and accurate record of its proceedings. Minutes of meetings must be promptly recorded and open for public inspection. Also, the Village's minutes should be signed by at least two Village officials certifying the minutes are approved as prepared.

We noted the following conditions related to the Village's minutes:

- The minutes provided for six of 36 meetings were signed by only the Fiscal Officer.
- The minutes provided for 23 of 36 meetings were not signed by any Village official or the Fiscal officer.
- Minutes for April, May, August and October 2016 meetings were not provided for audit.

**FINDING NUMBER 2017-002  
(Continued)**

- A monthly financial report was not presented and approved for six of the 12 months in 2016.
- The Village minutes were not printed on pre-numbered forms and controls to mitigate completeness issues from not using the pre-numbered forms had not been implemented.

Failure to properly maintain and approve accurate minutes could result in undetected errors, omissions or alterations to the minute record. Also, this could result in discrepancies in ordinances and resolutions being passed by Council resulting in disputes between the Village and the public. Not receiving and approving detailed monthly financial reports inhibits Council's ability to properly monitor the Village's funds and could result in deficit spending.

The Village should prepare all minutes promptly after each meeting, approve them the subsequent meeting, have Village officials sign the minutes, and maintain a complete minute book. In addition, the Village should be receiving a monthly financial report presenting month and year-to-date budgeted and actual revenues and expenditures, and fund balances for all Village funds. This financial report should be approved in the minutes and a copy maintained with the minutes record.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-003**

**Internal Control – Posting Transactions**

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.

We noted the following conditions related to the Village's accounting records and/or financial statements:

- Property tax receipts and the related auditor and treasurer fees expense for the first half settlement in 2016 were overstated by \$1,048 in the General fund.
- Property tax receipts were posted at net instead of gross, resulting in receipts and disbursements being understated in 2016 by \$169 and in 2017 by \$689 in the General fund.
- Special assessment receipts were posted at net instead of gross, resulting in receipts and disbursements being understated in 2017 by \$338 in the Street Lighting fund and \$213 in the Water Revenue fund.
- Permissive Motor Vehicle License Tax receipts totaling \$24,614 in 2017 were incorrectly posted to the Street Repair and Maintenance Fund.
- Intergovernmental receipts totaling \$14,230 in the General fund in 2015 were incorrectly recorded as Property Tax and Miscellaneous receipts.
- Intergovernmental receipts for MVL registration fees totaling \$687 and \$56 for the Street Maintenance and Repair fund and State Highway fund, respectively, in 2015 were incorrectly posted to the General fund.

**FINDING NUMBER 2017-003  
(Continued)**

- Intergovernmental receipts for MVL registration fees and Gas Tax totaling \$2,651 and \$215 for the Street Maintenance and Repair fund and State Highway fund, respectively, in 2016 were incorrectly posted to the General fund.
- Intergovernmental receipts for MVL registration fees totaling \$2,607 and \$211 for the Street Maintenance and Repair fund and State Highway fund, respectively, in 2017 were incorrectly posted to the General fund.
- Special Assessment receipts for delinquent water accounts totaling \$332 for the Water Revenue Fund in 2015 were incorrectly posted to the Street Lighting fund.
- Special Assessment receipts for delinquent water accounts totaling \$1,102 for the Water Revenue Fund in 2016 were incorrectly posted to the Street Lighting fund.
- Special Assessment receipts for delinquent water accounts totaling \$634 for the Water Revenue Fund in 2017 were incorrectly posted to the Street Lighting fund (\$194) and the General fund (\$440).
- Special Assessment receipts for street lighting totaling \$2,925 for the Street Lighting fund in 2017 were incorrectly posted to the General fund.
- Trash fee receipts totaling \$516 for the Refuse Revenue fund in 2016 were incorrectly posted to the General fund.
- In January 2016, nine checks were returned by the bank for not having two authorized signatures. The fiscal officer recorded a receipt in the cash journal for the returned checks, and then recorded the disbursements again when the payments were re-issued, which resulted in receipts and disbursements being overstated for 2016 by \$1,223 in the General fund, \$641 in the Street Lighting fund, and \$1,543 in the Refuse Revenue fund.
- In 2016 two disbursements were recorded twice in the cash journal after the vendor converted the checks to electronic fund transfers (EFT). The fiscal officer recorded the original check as a disbursement and then recorded another disbursement when the EFT was recorded on the bank statement. This resulted in General fund disbursements being overstated by \$671.
- Beginning fund balances in the Village's 2015 financial statement filed with the Auditor of State did not agree to the audited 2014 ending fund balances. The General fund was overstated by \$12,825, the Special Revenue funds were understated by \$1,399, and the Enterprise fund was understated by \$8,074.

The financial statements and accounting records, where appropriate, have been adjusted for these errors.

The Village did not have procedures in place for effective monitoring of the Village's financial activity, and the accuracy of accounting and financial reporting. The Village Fiscal Officer has sole responsibility over accounting and reporting. Due to the small size of the Village, it is important that Council take an active role in monitoring the posting of such activity. Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner. We recommend due care be exercised when posting entries to the financial records and financial statement preparation. The Village officials should review the chart of accounts to ensure that items are being posted to the proper account codes and funds, and update control procedures for review of financial activity so that errors can be detected and corrected in a timely manner.

**FINDING NUMBER 2017-003  
(Continued)**

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-004**

**Internal Control and Noncompliance**

**Ohio Admin. Code 117-2-01** states:

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (1) Reliability of financial reporting;
  - (2) Effectiveness and efficiency of operations
  - (3) Compliance with applicable laws and regulations; and
  - (4) Safeguarding of assets
- (C) Internal control consists of the following five interrelated components:
  - (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
  - (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
  - (3) Control activities, which are policies and procedures that help ensure management directives are carried out.
  - (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
  - (5) Monitoring, which is a process that assesses the quality of internal control performance over time.
- (D) When designing the public office's system of internal control and the specific control activities, management should consider the following:
  - (1) Ensure that all transactions are properly authorized in accordance with management's policies.
  - (2) Ensure that accounting records are properly designed.
  - (3) Ensure adequate security of assets and records.



**FINDING NUMBER 2017-004  
(Continued)**

- (4) Plan for adequate segregation of duties or compensating controls.
- (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- (6) Perform analytical procedures to determine the reasonableness of financial data.
- (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- (8) Monitor activities performed by service organizations.

The following conditions were noted:

- The small size of the Village did not allow for an adequate segregation of duties. The Fiscal Officer processed all the financial records including the receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management.
- Timely bank reconciliations were not completed for each month in 2016 and as a result the Village was declared unauditible on May 19, 2017. The Village was able to go back and complete monthly reconciliations for 2016 and obtained assistance from the Auditor of State's Local Government Services Division to complete the Village's 2017 reconciliations.
- Accurate payroll records were not maintained (see Finding 2017-012).
- In January 2016 nine checks were issued by the Village that only contained the authorized signature of the fiscal officer. The Village issued manual checks that required the signatures of the two authorized signatories, the Mayor and the Fiscal Officer. The bank returned the checks to the Village to be re-issued.
- Uniform Accounting Network (UAN) fees were paid by the Village, but the software was not used to record financial transactions. The Village recorded receipts, disbursements, and fund balances in a manual Cash Journal.
- Images of canceled checks were not provided for 10 of the 22 disbursements tested in 2017.
- The Village did not have controls in place to ensure proper reporting or safeguarding of Village assets

It is, therefore, important that Council monitor financial activity and assets of the Village and ensure reporting is accurate. Failure to accurately prepare the accounting records:

- (1) reduces the accountability over Village funds,
- (2) reduces Council's ability to monitor financial activity and make informed financial decisions,
- (3) increases the likelihood that moneys will be misappropriated and not detected, and
- (4) increases the likelihood that the financial statements will be misstated.

**FINDING NUMBER 2017-004  
 (Continued)**

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend the Village's officials and management implement the following controls:

- Officials should periodically review the accounting records and financial statements to determine accuracy and to ensure themselves that proper procedures are followed by the fiscal officer;
- The Village should reconcile the bank account on a monthly basis. The Village should document and adequately explain all adjusting factors. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. The Village should also implement controls over the bank reconciliations to include a supervisory review, evidenced by signature or initials and date of the reviewer.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-005**

**Noncompliance – Expenditures Exceeding Appropriations**

**Ohio Rev. Code, § 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been appropriated. The Village had expenditures in excess of appropriations in the following funds:

<b>2015</b>	Expenditures	Appropriations	Variance
General Fund	\$29,584	\$23,917	\$(5,667)

<b>2016</b>	Expenditures	Appropriations	Variance
Water Revenue Fund	\$3,055	\$0	\$(3,055)
Refuse Revenue Fund	20,755	19,000	(1,755)

<b>2017</b>	Expenditures	Appropriations	Variance
Street Maintenance and Repair Fund	\$59,094	\$36,499	\$(22,595)

Expenditures in excess of appropriations can result in overspending and deficit fund balances.

We recommend Village officials monitor the budget to prevent expenditures from exceeding appropriations. The Fiscal Officer may request that Council approve amended appropriations and file amended certificates of estimated resources, if necessary.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-006**

**Noncompliance – Filing of Annual Financial Reports**

**Ohio Rev. Code § 117.38** states cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports.

The Village failed to file financial reports by the respective due dates:

Audit Period	Due Date	File Date
2015	2/29/16	7/31/18
2016	3/1/17	7/31/18
2017	3/1/18	7/31/18

Failure to file an annual financial report could result in a penalty of twenty-five dollars for each day the report remains un-filed, not to exceed seven hundred fifty dollars. The Auditor of State may waive these penalties, upon the filing of the past due financial report. Additionally, the lack of an annual report could result in auditing difficulties..

**Officials’ Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-007**

**Noncompliance – Certification of Fiscal Officer**

**Ohio Rev. Code, § 5705.41(D)(1)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

**FINDING NUMBER 2017-007  
(Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates 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 the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the following conditions were noted for the audit period:

- Purchase orders were approved once a month
- Purchase orders were dated the same as the check date
- Invoices were dated prior to the purchase order date

Failure to certify the availability of funds could result in overspending and negative cash balances. Prior certification is not only required by statute, but also is a key control in the disbursement process to ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-008**

**Internal Control and Noncompliance – Required Accounting Records**

**Ohio Rev. Code, § 733.28**, provides that the Village Fiscal Officer must keep the books of the Village, exhibit accurate statements of all moneys received and Village and income derived thereof, and all taxes and assessments.

**Ohio Admin. Code § 117-2-02 (C)(1)** requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**Ohio Admin. Code § 117-2-02 (D)** states all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

**FINDING NUMBER 2017-008**  
**(Continued)**

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.
4. In addition, all local public offices should maintain or provide a report similar to the following accounting records:
  - (a) Payroll records including:
    - i. W-2's, W-4's and other withholding records and authorizations;
    - ii. Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
    - iii. Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
    - iv. Information regarding nonmonetary benefits such as car usage and life insurance; and
    - v. Information, by employee, regarding leave balances and usage;
  - (b) Utilities billing records including:
    - i. Master file of service address, account numbers, billing address, type of services provided, and billing rates;
    - ii. Accounts receivable ledger for each service type, including for each customer account, the outstanding balance due as of the end of each billing period (with an aging schedule for past due amounts), current usage and billing amount, delinquent or late fees due, payments received and non-cash adjustments, each maintained by date and amount;
    - iii. Cash receipts records, recording cash received and date received on each account. This information should be used to post payments to individual accounts in the accounts receivable ledger described above.

**FINDING NUMBER 2017-008  
(Continued)**

We noted that the following conditions existed during the audit period:

- The Village did not have a master file of water and trash customers and did not maintain an accounts receivable ledger for each service type. There was no assurance that all users were being billed. New accounts were not created in the trash billing software when a new resident moved in to a property, only the name on the account was changed. Insufficient documentation prevented us from being able to audit the water fees and only limited analytical procedures were able to be performed for the trash fees receipts.
- When Village residents made utility payments, receipts were not provided to ensure that all collections were deposited with the Fiscal Officer, that those payments were posted to the subsidiary ledger, and that all receipts collected were deposited.
- As of March 15, 2015 the Village transferred operation of the water system to Highland County Water, however as of December 31, 2017 the Water Deposit fund still has a fund balance of \$12,196 and there is no record of the customers who paid water deposits.
- The Village did not maintain a Receipt Ledger or Appropriation Ledger; therefore appropriations and estimated receipts were not recorded in a trackable system. Additionally, appropriations, estimated receipts, and actual receipts and disbursements reported in the budgetary presentation did not agree to official budgetary documents or the Cash Journal.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds; 2) reduces the Council's ability to monitor financial activity and make informed decisions; 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

The Village should maintain the accounting records required by the Ohio Revised Code and Ohio Administrative Code.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-009**

**Noncompliance – Annual Exemption for Continuing Education**

**Ohio Rev. Code § 733.27** provides that village fiscal officers must attend annual training programs for new village fiscal officer *and* annual continuing education programs provided by the Auditor of State.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only (Ohio Rev. Code § 135.22):

**FINDING NUMBER 2017-009  
(Continued)**

- (1) Interim deposits pursuant to Ohio Rev. Code §§ 135.14(B)(3) or 135.145 (CDAR and similar programs);
- (2) STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6); and
- (3) No-load money market mutual funds pursuant to Ohio Rev. Code § 135.14 (B)(5)

The Village did not have any investments so the fiscal officer was not required to complete continuing education courses. However, the Village should annually provide a notice of exemption to the Auditor of State, certified by the Treasurer of State. The Village did not provide the notice of exemption for 2015, 2016, or 2017.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-010**

**Noncompliance – Public Records Policy and Training**

**Ohio Rev. Code §149.43** provides that every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in its public records policies. The policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours. However, pursuant to Ohio Rev. Code § 149.43(B)(7), the policy may limit the number of responses physically delivered by U.S. Mail (or by another delivery service) and/or the number of digitally formatted responses to ten per month when the public office chooses to provide some or all of its public records on a fully accessible, free of charge web site. Unless the requested records are not on the web site and unless the person certifies to the office in writing that the person does not intend to use or forward the requested records, or the information contained in them, for commercial purposes. All public offices are required to distribute its public records policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office.

The Village did not adopted a Public Records Policy for 2015, 2016 or 2017.

**Ohio Rev. Code §149.31(E)(1)** requires that all elected officials or their designee must attend at least three hours of training on Ohio's Public Records Laws during each term of office pursuant to Ohio Rev. Code §109.43.

The Village's Fiscal Officer, Mayor, and elected Council members did not attend training on Ohio's Public Records Laws and also did not designate someone to attend on their behalf during their term of office.

Failure to adopt a public records policy and attend public records training could cause the Village to violate public records laws which could lead to possible litigation against the Village.

We recommend that the Village adopt a Public Records Policy which complies with the requirements of the Ohio Revised Code and we also recommend that the Village Fiscal Officer, Mayor, and Council members, or their designee, attend the required Ohio Public Records Laws training for each term of office.

**FINDING NUMBER 2017-010  
(Continued)**

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-011**

**Noncompliance – Fiscal Integrity Act**

**Ohio Rev. Code § 733.81 and § 507.12** provide that a newly elected or appointed fiscal officer shall complete at least six hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed within the fiscal officer's first term. Twelve hours of training shall be completed for each subsequent term.

The Auditor of State is responsible for conducting education programs and continuing education courses for fiscal officers. Training may also be conducted by the Ohio Township Association or Ohio Municipal League (Ohio Rev. Code § 733.81(A)) if approved by the Auditor of State. (Ohio Rev. Code § 507.12(A)) The Auditor of State shall also verify completion of initial education programs and continuing education courses. Certificates of completion shall be issued by the Auditor of State. A "failure to complete" notice will be issued by the Auditor of State for those fiscal officers who fail to complete the requirements. The notice is issued at two deadlines: 1) if newly-elected fiscal officers do not complete 6 hours of training during their first year of office, and 2) if any fiscal officer does not complete their required total hours by the end of their term. This does not affect the individual's ability to hold office and is for informational purposes only. (Ohio Rev. Code § 507.12(E))

The Auditor of State's office has developed an on-line training database. The database includes a list of approved training, which is maintained by our training department. Fiscal Officers must register and create a personal username and password for the Auditor of State's Fiscal Integrity site for reporting purposes. Training is then reported by choosing the training courses and dates attended. Fiscal officers are required to self-report their hours, otherwise they will not receive credit for the training. Fiscal Officers can access and print their certificates via the Fiscal Integrity Act portal available at <http://www.ohioauditor.gov/fiscalintegrity/default.html>.

The Fiscal Officer did not complete the required hours of continuing education during the audit period. In addition, she did not set up an account on the Fiscal Integrity Act portal for tracking purposes. This could result in failure to receive appropriate continuing education and improper tracking of the continuing education that was received.

We recommend that the Fiscal Officer obtain the required continuing education and report that training through the Fiscal Integrity Act portal.

**Officials' Response:**

We did not receive a response from Officials to this finding.



## FINDING NUMBER 2017-012

### Internal Control – Payroll Records

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operations of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions.

The following conditions were noted during payroll testing:

- Documentation to support the authorized pay rates for employees was not provided for five of the eight employees in 2015, two of the five employees in 2016, and two of the five employees in 2017.
- The payroll journal for 2017 was not accurate. There were four payments to Mayor Kynda Stryder listed in the Payroll Journal however there were only two checks written to Kynda Stryder during 2017 per the cash journal. Additionally, the net amounts per the payroll journal did not agree to the check amounts in the cash journal. For one employee, the payroll journal showed a withholding for OPERS, however the OPERS withholdings were not deducted from gross pay.
- Some Village employees were paying into social security instead of OPERS.
- Federal tax amounts remitted for the 2nd quarter of 2016 did not agree to amounts withheld per the Payroll Journal. See Finding 2017-014.
- State tax amounts remitted for the 3rd quarter of 2016 did not agree to amounts withheld per the Payroll Journal. See Finding 2017-014.

Failure to maintain accurate payroll records results in a lack of financial accountability, could cause employees to be paid incorrect amounts, and increases the risk that theft, fraud, or errors could occur and not be detected in a timely manner.

Controls should be put in place to help ensure that all payroll disbursements are properly accounted for. We recommend that the Village formally approve employee pay rates in the minutes annually, maintain accurate payroll journals, and verify amounts remitted for federal and state taxes agree to the amounts withheld from employee pay. We also recommend the Village review those employees paying into social security to determine if they should be paying into OPERS instead.

### Officials' Response:

We did not receive a response from Officials to this finding.

## FINDING NUMBER 2017-013

### Noncompliance – Appropriation Measures

**Ohio Rev. Code § 5705.38(A)** requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Village failed to approve an appropriation measure for 2017 until July 15, 2017.

**FINDING NUMBER 2017-013**

Failure to approve an appropriation measure on or about the first day of each fiscal year could result in overspending and deficit cash balances.

We recommend that the Village adopt an appropriation measure on or about the first day of each fiscal year.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2017-014**

**Noncompliance – Federal and State Tax Remittances**

**26 U.S.C. Sections 3401 through 3406 & Section 3102(a)** require employers to withhold federal income taxes and employment related taxes (such as Medicare) from employees' earnings and to remit the withholdings to the U.S. Treasury in a timely manner.

During 2017 the Village withheld federal income taxes, social security, and Medicare from the employees' earnings, but failed to remit a total of \$1,005 (including the employer share).

Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

**Ohio Rev. Code, §§ 5747.06(A) and 5747.07**, provide, in part, that every employer, including the state and its political subdivisions, maintaining an office or transacting business within the state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax from employees' earnings and to remit the withholdings to the Ohio Department of Taxation in a timely manner.

During 2017 the Village withheld state income taxes and school district income taxes from the employees' earnings, but failed to remit a total of \$72.

Failure to promptly remit payments could result in unnecessary payments for penalties and interest.

We recommend that the Village monitor payment deadlines and make payments to the Internal Revenue Service and the Ohio Department of Taxation by the due date. The Auditor of State will refer this matter to the appropriate agencies.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017, 2016 AND 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2014-001	Improper Use of Public Money – Brown’s Distributing	Yes	
2014-002	Improper Use of Public Money – KOI Auto Parts	Yes	
2014-003	Improper Use of Public Money – Lowes	Yes	
2014-004	Improper Use of Public Money – Staples	Yes	
2014-005	Improper Use of Public Money – Tractor Supply Company	Yes	
2014-006	Interest in Public Contract by a Public Official	Yes	
2014-007	No support for allocation of payroll expenditures	Yes	
2014-008	Internal Control Deficiencies	No	Repeated as Finding 2017-004
2014-009	Improperly Appointing Council Members	Yes	
2014-010	Utility Billings and Collections	No	Repeated as Finding 2017-008
2014-011	Required Accounting Records Not Maintained	No	Repeated as Finding 2017-008
2014-012	Not Properly Encumbering Expenditures	No	Repeated as Finding 2017-007
2014-013	Minute Records	No	Repeated as Finding 2017-002
2014-014	Budgetary Noncompliance	No	Partially Corrected; Repeated as Finding 2017-005
2014-015	Reimbursements to Officials without Supporting Documents	Yes	
2014-016	Negative Fund Balances	Yes	

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# OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MARTINSVILLE

CLINTON 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 19, 2019