



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF MARTINSBURG
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2001	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2000	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Enterprise Fund For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Finding	13

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying financial statements of the Village of Martinsburg (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and "P".

JIM PETRO
Auditor of State

May 31, 2002

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 9,025	\$ -	\$ 9,025
Intergovernmental Receipts	16,153	9,250	25,403
Earnings on Investments	231	468	699
Miscellaneous	268	-	268
	<u>25,677</u>	<u>9,718</u>	<u>35,395</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	1,022	-	1,022
Public Health Services	697	-	697
Leisure Time Activities	4,308	-	4,308
Basic Utility Services	600	1,043	1,643
Transportation	193	1,383	1,576
General Government	14,669	-	14,669
	<u>21,489</u>	<u>2,426</u>	<u>23,915</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	<u>4,188</u>	<u>7,292</u>	<u>11,480</u>
Fund Cash Balances, January 1	<u>13,448</u>	<u>30,406</u>	<u>43,854</u>
Fund Cash Balances, December 31	<u>\$ 17,636</u>	<u>\$ 37,698</u>	<u>\$ 55,334</u>

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

VILLAGE OF MARTINSBURG
KNOX COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 22,468
Miscellaneous	<u>225</u>
Total Operating Cash Receipts	<u>22,693</u>
Operating Cash Disbursements:	
Personal Services	6,613
Fringe Benefits	1,531
Contractual Services	15,669
Supplies and Materials	624
Misc.	<u>100</u>
Total Operating Cash Disbursements	<u>24,537</u>
Operating (Loss)	<u>(1,844)</u>
Fund Cash Balances, January 1	<u>\$ 27,251</u>
Fund Cash Balances, December 31	<u><u>\$ 25,407</u></u>

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 8,834	\$ -	\$ 8,834
Intergovernmental Receipts	16,517	9,203	25,720
Miscellaneous	1,575	552	2,127
	<u>26,926</u>	<u>9,755</u>	<u>36,681</u>
Total Cash Receipts			
	<u>26,926</u>	<u>9,755</u>	<u>36,681</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,829	-	1,829
Public Health Services	105	-	105
Leisure Time Activities	4,335	-	4,335
Basic Utility Services	925	-	925
Transportation	678	1,845	2,523
General Government	23,349	-	23,349
	<u>31,221</u>	<u>1,845</u>	<u>33,066</u>
Total Cash Disbursements			
	<u>31,221</u>	<u>1,845</u>	<u>33,066</u>
Total Receipts Over/(Under) Disbursements	<u>(4,295)</u>	<u>7,910</u>	<u>3,615</u>
Fund Cash Balances, January 1	<u>17,743</u>	<u>22,495</u>	<u>40,238</u>
Fund Cash Balances, December 31	<u>\$ 13,448</u>	<u>\$ 30,405</u>	<u>\$ 43,853</u>
Reserves for Encumbrances, December 31	<u>\$ 761</u>	<u>\$ 37</u>	<u>\$ 798</u>

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

VILLAGE OF MARTINSBURG
KNOX COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$ 20,917</u>
Operating Cash Disbursements:	
Personal Services	8,320
Fringe Benefits	145
Contractual Services	8,606
Supplies and Materials	<u>4,868</u>
Total Operating Cash Disbursements	<u>21,939</u>
Operating Income	<u>(1,022)</u>
Fund Cash Balances, January 1	<u>28,273</u>
Fund Cash Balances, December 31	<u>\$ 27,251</u>
Reserve for Encumbrances, December 31	<u>\$ 1,909</u>

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

3. Enterprise Fund

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

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>2001</u>	<u>2000</u>
Demand deposits	\$80,741	\$71,104

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

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,657	\$25,677	(\$980)
Special Revenue	9,110	9,718	608
Enterprise	6,195	22,693	16,498
Total	<u>\$41,962</u>	<u>\$58,088</u>	<u>\$16,126</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,461	\$21,489	\$11,972
Special Revenue	21,342	2,426	18,916
Enterprise	26,439	24,537	1,902
Total	<u>\$81,242</u>	<u>\$48,452</u>	<u>\$32,790</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,426	\$26,926	\$2,500
Special Revenue	7,725	9,755	2,030
Enterprise	11,218	20,917	9,699
Total	<u>\$43,369</u>	<u>\$57,598</u>	<u>\$14,229</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,204	\$31,982	\$9,222
Special Revenue	14,280	1,882	12,398
Enterprise	25,862	23,848	2,014
Total	<u>\$81,346</u>	<u>\$57,712</u>	<u>\$23,634</u>

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEM

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the Village of Martinsburg (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated May 31, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of finding as item 2001-30642-001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 31, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

JIM PETRO
Auditor of State

May 31, 2002

**VILLAGE OF MARTINSBURG
KNOX COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-30642-001

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

2. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

The Clerk may use blanket certificates. For blanket certificates, one blanket certificate may be issued for each line item appropriation and must not exceed \$5,000 and should not exceed three months. For super blanket certificates, more than one certificate can be outstanding per line item appropriation, can exceed three months and can be for any amount. These blanket certificates should be canceled at the end of each fiscal year.

Thirty-eight percent of transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all Village disbursements receive prior certification of the fiscal officer that the funds are or will be available. When prior certification is not possible, then and now certification should be utilized.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF MARTINSBURG

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 2, 2002**