

VILLAGE OF MARTINSBURG

KNOX COUNTY

REGULAR AUDIT

JANUARY 1, 2002 - DECEMBER 31, 2003

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Village of Martinsburg, Knox County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Martinsburg is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 8, 2004

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VILLAGE OF MARTINSBURG  
KNOX COUNTY  
JANUARY 1, 2002 THROUGH DECEMBER 31, 2003

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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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, Knox County, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As 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 accounting principles generally accepted in the United States of America.

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 of Martinsburg, Knox County, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and cash 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 a report dated October 7, 2004, 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 report in considering the results of our audit.

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

*Balestra, Harr & Scherer, CPAs, Inc.*

Balestra, Harr & Scherer, CPAs, Inc.

October 7, 2004

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, 2003

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$10,495	\$4,552	\$15,047
Intergovernmental	13,177	4,600	17,777
Interest	49	106	155
Miscellaneous	132	0	132
<b>Total Cash Receipts</b>	<u>23,853</u>	<u>9,258</u>	<u>33,111</u>
Disbursements:			
Public Health Service	817	0	817
Leisure Time Activities	4,322	0	4,322
Basic Utility Services	0	1,826	1,826
Transportation	0	1,783	1,783
General Government	15,611	0	15,611
<b>Total Cash Disbursements</b>	<u>20,750</u>	<u>3,609</u>	<u>24,359</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	3,103	5,649	8,752
 Fund Cash Balances, January 1, 2003	 <u>16,492</u>	 <u>43,448</u>	 <u>59,940</u>
Fund Cash Balances, December 31, 2003	<u>\$19,595</u>	<u>\$49,097</u>	<u>\$68,692</u>
Reserved for Encumbrances, December 31, 2003	<u>\$2,361</u>	<u>\$225</u>	<u>\$2,586</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 -PROPRIETARY FUND TYPE -  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Enterprise
Operating Cash Receipts	
Charges for Services	\$25,845
Total Operating Cash Receipts	25,845
Operating Cash Disbursements:	
Personal Service	7,386
Employee Fringe Benefits	1,287
Contractual Services	10,034
Supplies and Materials	9,455
Other	134
Total Operating Cash Disbursements	28,296
Operating (Loss)	(2,451)
Fund Cash Balances, January 1, 2003	28,978
Fund Cash Balances, December 31, 2003	\$26,527
Reserved for Encumbrances, December 31, 2003	\$1,057

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, 2002

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$9,284	\$4,530	\$13,814
Intergovernmental	14,877	4,293	19,170
Interest	85	184	269
Miscellaneous	566	0	566
Total Cash Receipts	<u>24,812</u>	<u>9,007</u>	<u>33,819</u>
Disbursements:			
Public Health Service	102	0	102
Leisure Time Activities	3,405	0	3,405
Basic Utility Services	0	2,178	2,178
Transportation	0	1,079	1,079
General Government	22,449	0	22,449
Total Cash Disbursements	<u>25,956</u>	<u>3,257</u>	<u>29,213</u>
Excess of Cash Receipts Over/ (Under) Cash Disbursements	(1,144)	5,750	4,606
Fund Cash Balances, January 1, 2002	<u>17,636</u>	<u>37,698</u>	<u>55,334</u>
Fund Cash Balances, December 31, 2002	<u>\$16,492</u>	<u>\$43,448</u>	<u>\$59,940</u>
Reserved for Encumbrances, December 31, 2002	<u>\$604</u>	<u>\$425</u>	<u>\$1,029</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 -PROPRIETARY FUND TYPE -  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$22,290
Total Operating Cash Receipts	22,290
Operating Cash Disbursements:	
Personal Service	7,430
Employee Fringe Benefits	1,323
Contractual Services	9,447
Supplies and Materials	369
Other	150
Total Operating Cash Disbursements	18,719
Operating Income	3,571
Fund Cash Balances, January 1, 2002	25,407
Fund Cash Balances, December 31, 2002	\$28,978
Reserved for Encumbrances, December 31, 2002	\$665

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, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village management believes these financial statements represent 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 that is 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 receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

**3. Enterprise Funds:**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise 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, 2003 AND 2002

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Village 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.

A summary of 2003 and 2002 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 and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$95,219	\$88,918

Deposits:

The Village's deposits are insured by the Federal Deposit Insurance Corporation.

VILLAGE OF MARTINSBURG  
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002, was as follows:

<b>2003 Budgeted vs. Actual Receipts</b>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$25,879	\$23,853	(\$2,026)
Special Revenue	6,500	9,258	2,758
Enterprise	<u>24,000</u>	<u>25,845</u>	<u>1,845</u>
Total	<u>\$56,379</u>	<u>\$58,956</u>	<u>\$2,577</u>

**2003 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$33,895	\$23,111	\$10,784
Special Revenue	12,750	3,834	8,916
Enterprise	<u>38,240</u>	<u>29,353</u>	<u>8,887</u>
Total	<u>\$84,885</u>	<u>\$56,298</u>	<u>\$28,587</u>

**2002 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$25,647	\$24,812	(\$835)
Special Revenue	9,000	9,007	7
Enterprise	<u>11,000</u>	<u>22,290</u>	<u>11,290</u>
Total	<u>\$45,647</u>	<u>\$56,109</u>	<u>\$10,462</u>

**2002 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$31,915	\$26,560	\$5,355
Special Revenue	4,700	3,682	1,018
Enterprise	<u>24,180</u>	<u>19,384</u>	<u>4,796</u>
Total	<u>\$60,795</u>	<u>\$49,626</u>	<u>\$11,169</u>

VILLAGE OF MARTINSBURG  
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002

**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 payment, 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 SYSTEMS**

The Village's 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. For 2003 and 2002, members of PERS contributed 8.5% of gross wages. The Village contributed an amount equal to 13.55% of participants' gross wages. The Village has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

The Village has obtained commercial insurance coverage for the following risks:

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

**7. SUBSEQUENT EVENT**

An issue has been placed on the November 2004 ballot for the dissolution of the Village into the Township.

# BALESTRA, HARR & SCHERER, CPAs, INC.

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## **Report on Compliance and On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the Village of Martinsburg, Knox County, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated October 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 7, 2004.

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

In planning and performing our audit, 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 a material weakness. However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the Village in a separate letter dated October 7, 2004.

Village of Martinsburg

Knox County

Report on Compliance and On Internal Control Over Financial Reporting Based On An Audit  
of Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

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

*Balestra, Harr & Scherer, CPAs, Inc.*

Balestra, Harr & Scherer, CPAs, Inc.

October 7, 2004



**VILLAGE OF MARTINSBURG  
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30642-001	Expenditures were made prior to the certification of funds. Then and Now Certificates were not issued for the transactions that were not certified.	Yes	Village either properly certified expenditures or Then and Now Certificates were utilized.





**Auditor of State  
Betty Montgomery**

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**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  
NOVEMBER 23, 2004**