



Mary Taylor, CPA
Auditor of State

VILLAGE OF MACKSBURG
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	22

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Mary Taylor, CPA
Auditor of State

Village of Macksburg
Washington County
P.O. Box 166
Macksburg, Ohio 45746

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

August 30, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Macksburg
Washington County
P.O. Box 166
Macksburg, Ohio 45746

To the Village Council:

We have audited the accompanying financial statements of the Village of Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Macksburg, Washington County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2007, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 30, 2007

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 1,586	\$	\$ 1,586
Intergovernmental	44,151	8,581	52,732
Earnings on Investments	192		192
Miscellaneous	50		50
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	45,979	8,581	54,560
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,185	2,665	6,850
Public Health Services	234		234
Transportation	2,520	6,692	9,212
General Government	29,842		29,842
Capital Outlay		9,536	9,536
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,781	18,893	55,674
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	9,198	(10,312)	(1,114)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Transfers-In		8,000	8,000
Transfers-Out	(8,000)		(8,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(8,000)	8,000	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,198	(2,312)	(1,114)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	23,086	10,478	33,564
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 24,284	\$ 8,166	\$ 32,450
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 1,578	\$	\$ 1,578
Intergovernmental	37,267	14,759	52,026
Special Assessments		166	166
Fines, Licenses and Permits		1,060	1,060
Earnings on Investments	151		151
Miscellaneous	595	438	1,033
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	39,591	16,423	56,014
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,257	1,292	6,549
Public Health Services	239		239
Transportation	1,581	11,050	12,631
General Government	24,973		24,973
Capital Outlay		8,163	8,163
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	32,050	20,505	52,555
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	7,541	(4,082)	3,459
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Transfers-In		11,652	11,652
Transfers-Out	(10,000)	(1,652)	(11,652)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(10,000)	10,000	0
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,459)	5,918	3,459
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	25,545	4,560	30,105
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 23,086	\$ 10,478	\$ 33,564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Macksburg, Washington County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides maintenance of the Village's streets and also provides street lighting services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Cash

The Village invests all available funds of the Village in an interest-bearing checking account.

D. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

FEMA Fund – This fund received FEMA proceeds that were used to reimburse the General Fund and Street Construction, Maintenance and Repair Fund for expenses incurred as a result of the September 2004 flood.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. 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.

2. EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 32,450	\$ 33,564

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$45,979	\$45,979
Special Revenue	0	16,581	16,581
Total	\$0	\$62,560	\$62,560

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,945	\$44,781	\$14,164
Special Revenue	14,000	18,893	(4,893)
Total	\$72,945	\$63,674	\$9,271

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,000	\$39,591	\$4,591
Special Revenue	5,500	28,075	22,575
Total	\$40,500	\$67,666	\$27,166

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$75,150	\$42,050	\$33,100
Special Revenue	49,500	22,157	27,343
Total	\$124,650	\$64,207	\$60,443

At December 31, 2006, the Village had expenditures in excess of appropriations in the Street Construction, Maintenance and Repair Fund in the amount of \$2,223 and the Police Department Fund in the amount of \$2,665, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2005, the Village had expenditures in excess of appropriations in the Police Department Fund in the amount of \$1,292 and the FEMA Fund in the amount of \$5,805, contrary to Ohio Rev. Code Section 5705.41(B).

At December 31, 2006, the Village had appropriations in excess of estimated resources in the General Fund in the amount of \$58,945 and the Street Construction, Maintenance and Repair Fund in the amount of \$14,000, contrary to Ohio Rev. Code Section 5705.39.

At December 31, 2005, the Village had appropriations in excess of estimated resources in the General Fund in the amount of \$14,605 and the Street Construction, Maintenance and Repair Fund in the amount of \$44,080, contrary to Ohio Rev. Code Section 5705.39.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. PROPERTY TAX

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.

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

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

One of the Village's employees belonged to the Ohio Public Employees Retirement System (OPERS) for the first three months in 2005. OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, OPERS members contributed 8.5% of their gross salaries and the Village contributed an amount equaling 13.55% of participants' gross salaries. The Village had outstanding contributions in the amount of \$170 at December 31, 2006.

6. SOCIAL SECURITY BENEFITS

The elected officials and remaining employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2006, these elected officials and employees contributed 6.2% of their gross salaries. The Village contributed an amount equal to 6.2% of participant's gross salaries through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Mary Taylor, CPA

Auditor of State

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

Village of Macksburg
Washington County
P.O. Box 166
Macksburg, Ohio 45746

To the Village Council:

We have audited the financial statements of the Village of Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 30, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-007.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 30, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-007.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 30, 2007.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 30, 2007

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 9.38 provides public money must be deposited by a public official other than a state officer, employee, or agent, with the treasurer of the public office *or* to a designated depository on the business day following the day of receipt if the total amount received exceeds one thousand dollars. Public money collected for other public offices must be deposited by the first business day following the date of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (i.e., counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period.

Eighty percent of the receipts tested from throughout the audit period were not deposited timely (three to six days after receipt), in amounts ranging from \$31 to \$2,163, nor were the receipts safeguarded adequately. Failure to timely deposit receipts could lead to or otherwise indicate that errors, irregularities, misappropriation of assets, or fraud are occurring and going undetected for an extended period of time.

We recommend the Village develop and implement policies that would provide for the deposit of monies received in a timely manner. Further, the Village should take steps to develop safeguards over these receipts prior to deposit, including, but not limited to, placement in a safe, vault, locked cabinet, or other secure and restricted area.

Officials' Response: Checks are not always mailed on the date made out. It varies in how many days it takes for the Clerk-Treasurer to get to the bank, but a metal locked file cabinet is used until the deposit can be made.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 117.38 provides that 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. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report.

The report shall contain the following: (A) amount of collections and receipts, and accounts due from each source; (B) amount of expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the cost of ownership or operation; and (D) amount of public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

The Village did not file its 2005 annual financial report until July 31, 2006, which is not within 60 days of the fiscal year end. The Village did not file its 2006 annual financial report with the Auditor of State. Also, the Village did not publish notice in a local newspaper stating the financial report is available for public inspection. Failure to file the annual financial report in a timely manner could cause the Village to be charged fines.

We recommend the Village file its 2006 annual financial report with the Auditor of State. We further recommend the Village file future annual financial reports with the Auditor of State within 60 days of the fiscal year end. We also recommend the Village publish notice in a local newspaper stating the financial report is available for public inspection.

Officials' Response: The Clerk-Treasurer realized that these were late. The Clerk-Treasurer sent 2005 once, and they called to say they hadn't received it so it was mailed again. The Clerk-Treasurer mailed the 2006 report but will send again.

FINDING NUMBER 2006-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Appropriations exceeded estimated resources at December 31, 2006, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$ 0	\$ 58,945	\$ (58,945)
Street Construction, Maintenance and Repair	0	14,000	(14,000)

Appropriations exceeded estimated resources at December 31, 2005, in the following funds:

Fund	Estimated Resources	Appropriation Authority	Variance
General	\$ 60,545	\$ 75,150	\$(14,605)
Street Construction, Maintenance and Repair	5,420	49,500	(44,080)

This could cause the Village to spend in excess of their estimated resources.

We recommend the Clerk-Treasurer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

Officials' Response: Most money goes to the General Fund. If needed in another fund, Council transfers. The Clerk-Treasurer indicated that she probably needs more knowledge in this area.

FINDING NUMBER 2006-004

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Expenditures exceeded appropriations at December 31, 2006, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Street Construction, Maintenance and Repair	\$ 14,000	\$ 16,223	\$ (2,223)
Police Department	0	2,665	(2,665)

Expenditures exceeded appropriations at December 31, 2005, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Police Department	\$ 0	\$ 1,292	\$ (1,292)
FEMA	0	5,805	(5,805)

This resulted in these funds expending more than was appropriated.

The Clerk-Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: Most money goes to the General Fund. If needed in another fund, Council transfers. The Clerk-Treasurer indicated that she probably needs more knowledge in this area.

FINDING NUMBER 2006-005

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

There are several exceptions to the standard requirement stated above. 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 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.

2. **Blanket Certificate** - Fiscal officers may prepare so-called "blanket" certificates not running beyond 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. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
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 exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100 percent of the expenditures tested in 2005 and 2006, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that 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 Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

We recommend the Village certify purchases to which Section 5705.41(D) applies. The Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied.

Officials' Response: We do not use purchase orders as we don't have much to purchase. Main expenses are utilities and salaries.

FINDING NUMBER 2006-006

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(C)(1) states that all local public offices should 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.

During 2005, estimated revenue per the amended certificates was not posted to the Village's receipts journal. Also during 2005, estimated revenue per the amended certificates did not agree to the estimated revenue the Clerk-Treasurer entered into the annual financial report as follows:

Fund	Estimated Receipts Per Budget Commission	Amount Per Annual Financial Report	Variance
General	\$ 35,000	\$ 58,086	\$ (23,086)
Street Construction, Maintenance and Repair	5,000	9,883	(4,883)
Police Department	0	2,981	(2,981)
FEMA	0	1,526	(1,526)

During 2006, the Village did not have an official amended certificate; however, the Clerk-Treasurer posted estimated revenue to the annual financial report.

During 2005 and 2006, the appropriations per the annual appropriation ordinances were not posted to the Village's appropriation journal or on the annual financial report. The line items listed in the appropriation journals were not consistent with the line items listed in the annual appropriation ordinances.

Failure to properly post estimated resources could lead to a lack of budgetary control. In addition, this could cause the Village to spend more than is available to spend.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

We recommend the Clerk-Treasurer record in the receipts journal the estimated revenue from the amended certificates of estimated resources approved by the Budget Commission. We further recommend the amounts be carried forward to the annual financial report at the correct amounts as approved by the Budget Commission. We recommend the Clerk-Treasurer post appropriations from the annual appropriation ordinances to the appropriation journals and the annual financial report. We also recommend the line items listed in the appropriation journal be consistent with those listed in the annual appropriation ordinances.

Officials' Response: The Clerk-Treasurer does not understand.

FINDING NUMBER 2006-007

Noncompliance Citation and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2005, the Clerk-Treasurer posted certain revenue and expenditure transactions incorrectly to the annual financial report. The following was noted:

- Homestead and rollback was posted to Taxes instead of Intergovernmental;
- Interest was posted to Other instead of Earnings on Investments;
- Local Government was posted to Municipal Income Taxes instead of Intergovernmental;
- Local Government Revenue Assistance was posted to Other instead of Intergovernmental;
- Public Utility Reimbursement was posted to Other instead of Intergovernmental;
- Transfers-In was posted to Intergovernmental instead of Transfers-In;
- The Village's operating utilities and street lighting expenses was posted to Basic Utility Services instead of General Government and Security of Persons and Property, respectively;
- A donation was posted to Leisure Time Activities instead of Miscellaneous;
- Village employees' salaries were posted to General Government instead of Transportation;
- Equipment purchase was posted to Transportation instead of Capital Outlay; and
- Transfers-Out were posted to Transportation instead of Transfers-Out.

During 2006, the Clerk-Treasurer posted certain revenue and expenditure transactions incorrectly to the annual financial report. The following was noted:

- Homestead and rollback was posted to Taxes and Miscellaneous instead of Intergovernmental;
- Public Utility Reimbursement was posted to Miscellaneous instead of Intergovernmental;
- Personal Property Tax was posted to Miscellaneous instead of Taxes;
- Local Government was posted to Municipal Income Taxes instead of Intergovernmental;
- Interest was posted to Miscellaneous instead of Earnings on Investments;
- Transfers-In was posted to Intergovernmental instead of Transfers-In;
- Equipment purchase was posted to Transportation instead of Capital Outlay;

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

- Expenses related to the Police Department were posted to Transportation instead of Security of Persons and Property;
- The Village's operating utilities and street lighting expenses were posted to Basic Utility Services instead of General Government and Security of Persons and Property, respectively;
- Election expenses were posted to Leisure Time Activities instead of General Government;
- The construction of the pavilion was posted to Pavilion instead of General Government;
- Transfers-Out was posted to General Government instead of Transfers-Out; and
- Village employees' salaries were posted to General Government instead of Transportation.

These errors in posting to revenue and expenditures resulted in reclassifications within the General Fund, Street Construction, Maintenance and Repair Fund, Police Department Fund and the FEMA Fund. Fund balances were not affected by these incorrect postings of receipts and expenditures in 2005 and 2006.

As a result, these significant reclassifications were made to the financial statements in order for the Clerk-Treasurer to correctly classify the sources and amounts of the Village's receipts and expenditures. These reclassifications with which the Village's management agrees are reflected in the accompanying financial statements.

A transfer of \$10,000 and \$1,652 in 2005 and a transfer of \$8,000 in 2006 were not recorded in the appropriations journal; however, the \$10,000 transfer in 2005 was the only transfer not recorded to the trial balance. Also, the Supplies, Materials, and Repairs line item in the Street Construction, Maintenance and Repair Fund did not foot. This caused the appropriations journal to not agree to the trial balances.

The combining statement for the Special Revenue Funds did not agree to the combined statement for 2005 and 2006 and the combining statement excluded transfers in the Special Revenue Funds. The receipts and disbursements per the combined statement for the General Fund did not agree to the receipts and appropriations journals for 2005 and 2006. The fund balances posted to the combined statement for 2005 and 2006 were correct. This caused the combined statement and combining statement for 2005 and 2006 to not foot correctly even though the fund balances were correct.

Failure to properly record transactions within the accounting system may cause errors and/or irregularities to occur and go undetected.

We recommend the Clerk-Treasurer refer to the Ohio Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers in order to ensure the Village's year-end financial statements reflect the appropriate sources of the Village's receipts and expenditures. We also recommend the Clerk-Treasurer ensure all disbursements, including transfers, of the Village be included in the appropriations journal. We recommend proper footing of the line item accounts within the appropriations journal. In addition, we recommend the Clerk-Treasurer prepare the combining statements and combined statements from the receipts journal and appropriations journal and ensure that they reconcile to each other.

Officials' Response: The Clerk-Treasurer does not understand.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECMEBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 9.38, 100% of receipts tested were not timely deposited.	No	Not corrected; Reissued in the current Schedule of Findings as 2006-001.
2004-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in two funds.	No	Not corrected; Reissued in the current Schedule of Findings as 2006-003.
2004-003	Ohio Rev. Code Section 5705.41(D)(1), not certifying the availability of funds prior to incurring an obligation.	No	Not corrected; Reissued in the current Schedule of Findings as 2006-005.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MACKSBURG

WASHINGTON 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 8, 2007