



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF MARTINSVILLE
CLINTON COUNTY
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018. 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 2019-001, 2019-002, 2019-004, 2019-007, 2019-0013 and 2019-015 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 2019-001, 2019-002, 2019-003, 2019-005, 2019-006, 2019-008 through 2019-014 and 2019-016 through 2019-019.

Other Matters

As discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

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

Keith Faber
Auditor of State
Columbus, Ohio
January 27, 2021

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, 2019

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Unclassified	<u>\$28,531</u>	<u>\$32,866</u>	<u>\$61,397</u>
<i>Total Cash Receipts</i>	28,531	32,866	61,397
Cash Disbursements			
Unclassified	<u>33,509</u>	<u>8,376</u>	<u>41,885</u>
<i>Total Cash Disbursements</i>	33,509	8,376	41,885
<i>Excess of Receipts Over (Under) Disbursements</i>	(4,978)	24,490	19,512
<i>Fund Cash Balances, January 1</i>	<u>32,594</u>	<u>64,799</u>	<u>97,393</u>
Fund Cash Balances, December 31			
Restricted	0	89,289	89,289
Unassigned (Deficit)	<u>27,616</u>	<u>0</u>	<u>27,616</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$27,616</u></u>	<u><u>\$89,289</u></u>	<u><u>\$116,905</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)
Enterprise Fund
For the Year Ended December 31, 2019

Operating Cash Receipts

Unclassified \$19,955

Total Operating Cash Receipts 19,955

Operating Cash Disbursements

Unclassified 17,821

Total Operating Cash Disbursements 17,821

Operating Income (Loss) 2,134

Fund Cash Balances, January 1 37,251

Fund Cash Balances, December 31 \$39,385

See accompanying notes to the basic financial statements

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 provides trash collection services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. The Village contracts with Clark Township Volunteer Fire Department to receive fire protection services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations 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.

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 the enterprise fund types which are organized on a fund type basis.

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. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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 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 use the encumbrance method of accounting.

A summary of 2019 budgetary activity appears in Note 4.

VILLAGE OF MARTINSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)

2. Summary of Significant Accounting Policies (Continued)

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.

3. Compliance

Contrary to Ohio law, budgetary documentation (such as appropriations and certificate of estimated resources) were not filed for the Village in 2019.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

4. Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$28,531	\$28,531
Special Revenue	0	32,866	32,866
Enterprise	0	19,955	19,955
Total	\$0	\$102,519	\$81,352

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$33,509	(\$33,509)
Special Revenue	0	8,376	(8,376)
Enterprise	0	17,821	(17,821)
Total	\$0	\$80,883	(\$59,706)

5. Deposits

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

Demand deposits	\$156,290
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Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

6. Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

6. Taxes (Continued)

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

7. Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>	
Cash and investments		\$38,432,610
Actuarial liabilities		\$14,705,917

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Social Security

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

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

8. Defined Benefit Pension Plans (Continued)

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, 2019.

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.

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:

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	

11. COVID -19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village's investments of the pension and other employee benefit plan in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Unclassified	<u>\$39,371</u>	<u>\$16,338</u>	<u>\$55,709</u>
<i>Total Cash Receipts</i>	39,371	16,338	55,709
Cash Disbursements			
Unclassified	<u>23,238</u>	<u>9,472</u>	<u>32,710</u>
<i>Total Cash Disbursements</i>	23,238	9,472	32,710
<i>Excess of Receipts Over (Under) Disbursements</i>	16,133	6,866	22,999
<i>Fund Cash Balances, January 1</i>	<u>16,461</u>	<u>57,933</u>	<u>74,394</u>
Fund Cash Balances, December 31			
Restricted	0	69,561	69,561
Unassigned (Deficit)	<u>32,594</u>	<u>(4,762)</u>	<u>27,832</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$32,594</u></u>	<u><u>\$64,799</u></u>	<u><u>\$97,393</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)
Enterprise Fund
For the Year Ended December 31, 2018

Operating Cash Receipts

Unclassified \$17,580

Total Operating Cash Receipts 17,580

Operating Cash Disbursements

Unclassified 20,298

Total Operating Cash Disbursements 20,298

Operating Income (Loss) (2,718)

Fund Cash Balances, January 1 39,969

Fund Cash Balances, December 31 \$37,251

See accompanying notes to the basic financial statements

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 provides trash collection services. The Village contracts with the Clinton County Sheriff's department to provide security of persons and property. The Village contracts with Clark Township Volunteer Fire Department to receive fire protection services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in jointly governed organizations 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.

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

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 the enterprise fund types which are organized on a fund type basis.

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:

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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.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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 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 use the encumbrance method of accounting.

A summary of 2018 budgetary activity appears in Note 4.

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.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (Continued)

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.

3. Compliance

Contrary to Ohio law, budgetary documentation (such as appropriations and certificate of estimated resources) were not filed for the Village in 2018.

4. Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$39,371	\$39,371
Special Revenue	0	16,338	16,338
Enterprise	0	17,580	17,580
Total	\$0	\$73,289	\$73,289

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

4. Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$23,238	(\$23,238)
Special Revenue	0	9,472	(9,472)
Enterprise	0	20,298	(20,298)
Total	\$0	\$53,008	(\$53,008)

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 at December 31 was as follows:

	2018
Demand deposits	\$134,644

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

6. Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

7. Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

7. Risk Management (Continued)

- General liability and casualty
- Public official's liability
- Cyber
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>	
Cash and investments		\$35,381,789
Actuarial liabilities		\$12,965,015

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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

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, 2018.

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.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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:

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	

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDING NUMBER 2019-001

Internal Control Deficiency and Noncompliance – Findings for Adjustment

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded the following receipts and expenditures in the accounting records:

- In 2016 two expenditures 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 an expenditure and then recorded another expenditure when the EFT was recorded on the bank statement. This resulted in General fund expenditures being overstated by \$671. The checks were still included in the outstanding check list during 2018.
- Property Tax receipts and related treasurer fees expense for the first and second half tax settlements were incorrectly posted at net instead of gross, resulting in receipts and disbursements being understated in 2019 by \$437 and in 2018 by \$543.
- Special Assessment receipts for delinquent water accounts totaling \$362 for the Water Revenue Fund in 2018 were incorrectly posted to the General Fund.
- Special Assessment receipts for street lighting totaling \$6,817 for the Street Lighting fund in 2018 were incorrectly posted to the General fund.
- Special Assessment receipts were posted at net instead of gross, resulting in receipts and disbursements being understated in 2018 by \$252 in the Street Lighting fund and \$40 in the Water Revenue Fund.
- Intergovernmental receipts for MVL registration fees totaling \$2,737 and \$222 for the Street Maintenance and Repair Fund and State Highway Fund, respectively, in 2018 were incorrectly posted to the General Fund.
- Special Assessment receipts for delinquent water accounts totaling \$200 for the Water Revenue Fund in 2019 were incorrectly posted to the General Fund.
- Special Assessment receipts for street lighting totaling \$908 for the Street Lighting fund in 2019 were incorrectly posted to the General fund. Special Assessment receipts were posted at net instead of gross, resulting in receipts and disbursements being understated in 2019 by \$78 in the Street Lighting fund and \$17 in the Water Revenue Fund.
- Special Assessment receipts for community clean up totaling \$1,605 for the General Fund in 2019 were incorrectly posted to the Street Lighting Fund.
- Local Government receipts totaling \$4,655 for the General Fund in 2019 were incorrectly posted as Street Maintenance and Repair Fund, State Highway Fund and Street Lighting Fund.
- Intergovernmental receipts for MVL registration fees totaling \$3,357 and \$272 for the Street Maintenance and Repair Fund and State Highway Fund, respectively, in 2018 were incorrectly posted to the General Fund.

**FINDING NUMBER 2019-001
(Continued)**

The Village decided not to correct these errors at this time since there is not adequate funds available as of the date of the report. The financial statements and accounting records have not been adjusted for these errors. In accordance with the foregoing facts, we hereby issue a finding for adjustment for \$8,615 from the General Fund and \$2,655 from the State Highway Improvement Fund. Amounts should be adjusted to the following funds as noted: Street Maintenance and Repair fund \$8,170; Street Lighting Fund \$2,538 and the Water Revenue Fund \$562.

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. The Village officials should review the chart of accounts to assure 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.

Officials' Response:

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

FINDING NUMBER 2019-002

Internal Control and Noncompliance – Accounting Records and Financial Activity

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 those charged with governance, 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 operation
 - (3) Compliance with applicable laws and regulations; and
 - (4) Safeguarding of assets against unauthorized acquisition, use or disposition.
- (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.

FINDING NUMBER 2019-002
(Continued)

- (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.
 - (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 does not allow for an adequate segregation of duties. The Fiscal Officer performs all the financial record keeping including the receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management.
- Accurate payroll records were not maintained. (See Finding 2019-004)
- The Fiscal Officer was reimbursed for fees paid to Quickbooks, that totaled \$275, but the software was never set up and used to record financial transactions. The Village recorded receipts, disbursements, and fund balances in a manual unclassified cash journal.
- The Village did not issue any duplicate receipts for any revenue received by the Village.
- The Village does not have controls in place to assure 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,

**FINDING NUMBER 2019-002
(Continued)**

- (3) increases the likelihood that moneys will be misappropriated and not detected, and
- (4) increases the likelihood that the financial statements will be misstated.

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.
- A duplicate receipt should be issued for all receipts. The Village should also implement controls over payroll 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 2019-003

Noncompliance – Minutes

Ohio Rev. Code § 121.22(C) imposes a duty on the Village to maintain a full and accurate record of their proceedings. Minutes of meetings must be promptly recorded and open for public inspection.

A complete set of minutes was not maintained; minutes for July and November 2018 and November 2019 emergency meetings were not provided for audit.

Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minute's record without Council's knowledge, and discrepancies in ordinances and resolutions being passed by Council resulting in disputes between the Village and the public over funds and laws.

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.

Officials' Response:

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

FINDING NUMBER 2019-004

Internal Control Deficiency – Payroll Records and Minutes

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 and review of minutes:

**FINDING NUMBER 2019-004
(Continued)**

2018 Payroll conditions:

- Three employees did not have OPERS deducted from their pay checks. In a few instances the OPERS was listed on the payroll journal but it was not actually withheld from the pay check.
- Two of three employee pay checks tested were not issued for the correct amount per the payroll journal. One check for the employee was underpaid by \$5 and the other was overpaid by \$5.
- One employee's September payroll was documented as two hours in the payroll journal, but was paid for 7.5 hours. Alternative procedures were used to verify this was the correct amount to be paid, however, the payroll journal was not accurate. This also resulted in incorrect withholdings.
- One employee's wages was reported in the October payroll Journal however, there was no check issued per the cash journal.
- Two employee's net amounts reported in the payroll journal did not agree to the check amounts in the cash journal. This was a result of the payroll journal showing a withholding fro OPERS, however, the OPERS withholdings were not always deducted from the gross amount.
- Seven checks, for one employee, did not have OPERS taken out, but three checks did withhold. This was included in the OPERS monthly payments.
- Some employees were paying into social security instead of OPERS, however, both were being recorded on the payroll journal.
- OPERS documentation was not always maintained monthly, therefore, we tested the annual payments. We noted OPERS amounts documented as withheld in the payroll journal did not agree to amounts paid. Additionally, it was noted that Village paid \$36 more than the payroll journal documented, this was due to including employees in the calculation that did not have actual OPERS withheld.

2019 Payroll Conditions

- In February, one employee was included on the payroll journal, but a check was not issued per the cash journal.
- Four of nine checks tested for an employee were issued at the gross amount instead of the net amount. Additionally, the OPERS and Social Security were not being deducted correctly.
- Three of the Board members' pay were not accurate when compared to the cash journal and minutes, this could be due to missing minutes.
- OPERS documentation was not always maintained monthly, therefore, we tested the annual payments. We noted OPERS amounts documented as withheld in the payroll journal did not agree to amounts paid. Additionally, it was noted that Village paid \$71 more than the payroll journal documented, this was due to including employees in the calculation that did not have actual OPERS withheld.

**FINDING NUMBER 2019-004
(Continued)**

Minutes

- The minutes provided for one of 23 meetings were signed by only the Fiscal Officer.
- The minutes provided for 16 of 23 meetings were not signed by an Village Official or the Fiscal Officer
- 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.
- Two Meetings in 2018 and one meeting in 2019 were noted, as special meetings but there were no “regular” meetings for those months. Minutes did not clearly identify the purpose of the meeting.
- All bills and financial information were approved in each meeting; however, the approved financial information was not included in the official minute records.

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.

Failure to properly maintain and approve accurate minutes could lead to possible omissions or alterations to the minute’s record without the Council’s knowledge, and discrepancies in ordinances and resolutions being passed by Council resulting in disputes between the Village and the public over funds and laws. 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.

We recommend that the Village formally approve employee pay rates in the minutes annually, maintain accurate payroll journals, and verify amounts remitted for federal, state and OPERS 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. Also, see finding 2019-010.

The Auditor of State will refer this matter to Ohio Public Employees Retirement System.

Also, the Village should also 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 minute records.

Officials’ Response:

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

FINDING NUMBER 2019-005

Noncompliance – Transfer

Ohio Rev. Code § 5705.14(E) states money may be transferred from the general fund to any other fund of the subdivision and must be done pursuant to a resolution passed by a simple majority.

The Village made a transfer, in the amount of \$6,719, from the General to the Street Lighting fund, during 2019. While this is an allowable, transfer, the Council did not approve the transfer by a resolution passed by a simple majority of Council.

**FINDING NUMBER 2019-005
(Continued)**

We recommend that all transfers under Ohio Rev. Code § 5705.14(E) be done pursuant to a resolution passed by a simple majority.

Officials' Response:

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

FINDING NUMBER 2019-006

Noncompliance – Annual Financial Reporting

Ohio Rev. Code § 117.38 requires cash basis entities to file annual reports with the Auditor of State within 60 days of fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports.

The Village did not file financial reports for 2019 and 2018 until January 21, 2021.

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 2019-007

Internal Control Deficiency – Water Deposit Fund

The Village did not maintain a current record of all customers that had a water deposit when they were providing water services up through 2015.

The Village kept the water deposits in a separate Water Deposit Fund. Due to the Village's failure to maintain a record of all customers that had a water deposit on-hand with the Village, assurance on the accuracy of the fund balance in the Water Deposit Fund was not able to be obtained.

When Highland County took over water services in 2015, the money was left in the Water Deposit fund rather than being distributed to water service customers due to accurate records not being retained. The Water Deposit still has a fund balance of \$12,196 as of December 31, 2019.

We recommend the Village follow Ohio Rev. Code § 9.39, which provides guidance for accounting for unclaimed funds. We also recommend that the Village reconcile their records and review and monitor their listing for accuracy, and determine who is entitled to refunds.

Officials' Response:

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

FINDING NUMBER 2019-008

Noncompliance – Improper Certification of Expenditures

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are 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 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 treasurer'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 Rev. Code.

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

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 – The auditor or fiscal officer 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 Council 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, the following conditions were noted for the audit period and there was no evidence the Council followed the aforementioned exceptions:

- Purchase orders were approved once a month
- Purchase orders were dated the same as the check date, for 24 of the 24 expenditures tested
- Invoices were dated prior to the purchase order date, for 24 of the 24 expenditures tested

**FINDING NUMBER 2019-008
(Continued)**

Failure to certify the availability of funds could result in overspending and negative cash 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 help 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, the Fiscal Officer should certify the 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 2019-009

Noncompliance – Annual Exemption for Continuing Education

Ohio Rev. Code § 733.27 states 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 Village Fiscal Officer failed to attend continuing education programs in 2018 and 2019.

The Village Fiscal Officer should attend continuing education programs as required by Ohio Rev. Code § 733.27.

Officials' Response:

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

FINDING NUMBER 2019-010

Noncompliance – Federal and State Remittances

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. The Fiscal Officer appears to have withheld the required state payroll taxes for both 2018 2019; however, there was no evidence they paid the taxes in 2018 and 2019 nor submitted the required annual reports as required by the State of Ohio. Failure to file and pay the required tax could result in penalties and interest levied against the Village.

**FINDING NUMBER 2019-010
(Continued)**

The Village withheld, but did not remit federal income or Medicare taxes for employees tested during the audit period. Amounts not remitted during 2018 and 2019, were \$626 and \$456 (including employer share).

The Village withheld state income taxes and school district income taxes from the employee's earnings, but failed to remit a total of \$96 in both 2018 and 2019.

This was also an issue during 2017. The Fiscal Officer has started the processes filing the 2017 state and school district tax.

The Village should withhold federal income, Medicare, state income and school District tax taxes from all applicable officials and employees' compensation and remit payments to the

Internal Revenue Service and the Ohio Department of Taxation in a timely manner. Also, see finding 2019-004.

This matter will be referred to the Internal Revenue Service and the Ohio Department of Taxation.

Officials' Response:

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

FINDING NUMBER 2019-011

Noncompliance – Timely Deposits

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

To date the Village has not approved a policy to extend the time between collection and deposit beyond one business day.

Five out of five (100%) miscellaneous receipts tested, totaling \$4,512, were not deposited with the fiscal officer or designated depository for a period ranging from seven to thirty-eight business days after initial receipt of the monies. It was also noted Trash Collection receipts are only being deposited at the end of each week. Delays of this nature resulting from deficiencies in internal control procedures could cause receipts to be lost, misplaced, or stolen without being detected in a timely manner.

The Village should draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Officials' Response:

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

FINDING NUMBER 2019-012

Noncompliance – Public Records Policy and Public Records Laws Training

Ohio Rev. Code § 149.43(E)(2) provides that every public office must have a policy in place for responding to public records requests. Generally, a public records policy cannot: (1) limit the number of public records the office will make available to a single person; (2) limit the number of public records the office will make available during a fixed period of time; and (3) establish a fixed period of time before the office 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)(c)**, the policy may limit the number of public records the public office will physically deliver by U.S. Mail or other delivery service to ten per month 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. “Commercial” is narrowly construed and does not include reporting or gathering news, reporting or gathering information to assist citizen oversight or understanding of the operation or activities of government, or nonprofit educational research.

Ohio Rev. Code § 149.43(E)(2) further requires all public offices take certain actions with regard to their public record policy. Public offices must distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office and have that employee acknowledge receipt of the Public Records Policy; create and display in a conspicuous place in all locations where the public office has branch offices a poster describing the public records policy; and, if the public office has a manual or handbook of its general policies and procedures for all employees, include the public records policy in that manual or handbook.

The Village has no formal written policy that would demonstrate compliance with the Ohio Revised Code. This could result in records requests not being fulfilled in accordance with Ohio law.

The Village shall establish a public records policy. The policy shall be distributed to the records custodian/manager and the Village should have a written acknowledgement of receipt from the records custodian/manager. In addition, a poster describing the public records policy must be conspicuously displayed in all of the Village’s branch offices and the public records policy must be included in policy manuals or handbooks if any exist.

Pursuant to **Ohio Rev. Code § 109.43(E)(2)**, the Ohio Attorney General has developed and provided to all public offices a model public records policy for responding to public records requests. The policy, which is available at <https://www.ohioattorneygeneral.gov/Files/Government-Entities/Model-Public-Records-Policy.aspx>, provides guidance to public offices in developing their own policies for responding to public records requests in compliance with the Public Records Act.

Additionally, **Ohio Rev. Code §§ 109.43(B) and 149.43(E)(1)** require all state and local elected officials, or their designees, to attend 3 hours of training on Ohio’s Public Records Laws during each term of office. The training received must be certified by the Ohio Attorney General. Proof of completion of training must include documentation either from the Attorney General’s Office or from another entity certified by the Attorney General to provide the training to the elected official or his/her designee. Attendees who successfully complete the training will receive a certificate to serve as proof of training.

None of the Village’s elected officials attended a required Certified Public Records Training or have an appropriate designee attend a training during their term in office, due to deficiencies in internal controls over public record laws training procedures and monitoring. This could result in improper education of public offices regarding the offices’ duties related to public records requests as well as improper withholding of information from stakeholders.

The elected officials, or their designee(s), should, during their term of office, attend public records training and maintain proof of completion of the training.

**FINDING NUMBER 2019-012
(Continued)**

Officials' Response:

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

FINDING NUMBER 2019-013

Internal Control and Noncompliance – Required Accounting Records

Ohio Rev. Code § 733.28 states 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:

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;

**FINDING NUMBER 2019-013
(Continued)**

- 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.

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

- The Village did not have a master file of trash customers and did not maintain an accounts receivable ledger for each service type. There is no assurance that all users are 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 receipts 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.
- The Village did not maintain a Receipt Ledger or Appropriation Ledger; therefore appropriations and estimated resources were not recorded in a trackable system. Additionally, the Village did not file the required budgetary documents. See Issue 2019-016.

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 2019-014

Noncompliance – Fraud Reporting System

Ohio Rev. Code § 117.103(B)(1) states that a public office shall provide information about the Ohio fraud-reporting system and the means of reporting fraud to each new employee upon employment with the public office. Each new employee shall confirm receipt of this information within thirty days after beginning employment. Furthermore, Ohio Rev. Code § 117.103 (B)(2) states that on the effective date of this section (May 4, 2012), each public office shall make all its employees aware of the fraud-reporting system.

For 2019 and 2018, the Village neither made its current employees aware of the new fraud reporting system nor made new employees confirm receipt of this information. Failure to notify employees of the fraud reporting system could lead to instances of unreported fraud.

In order to prevent unreported instances of fraud, the Village should communicate the fraud reporting system to its current employees and implement a process for informing new employees.

Officials' Response:

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

FINDING NUMBER 2019-015

Internal Control Deficiency– Political Activities Policy

Public funds should not be used to support political activities. However, public funds may be used to publish information about the political subdivision's finances, activities and governmental actions in a manner that is not designed to influence the outcome of an election or the passage of a levy or bond issue. Public funds may also be used to compensate an employee for attending a public meeting to present such information in such a manner even though the election, levy or bond issue is discussed or debated at the meeting.

The District did not adopt a policy or publish notification to employees regarding the prohibition of political activities.

Officials' Response:

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

FINDING NUMBER 2019-016

Noncompliance – Budgetary

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

**FINDING NUMBER 2019-016
(Continued)**

Ohio Rev. Code Section 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 Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2019 or 2018. We also noted, the Village did not approve or file their appropriations for 2019 or 2018.

This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources and approve and file their appropriations does not allow Village officials to monitor their budgetary position and could result in overspending and negative fund balances.

Officials' Response:

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

FINDING NUMBER 2019-017

Noncompliance – Fiscal Integrity Act

Ohio Rev. Code § 733.81 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'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 2019-018

Noncompliance – Bond

Ohio Rev. Code § 705.27 states, except as otherwise provided in the municipal charter or in section 3.061 of the Revised Code, the treasurer, auditor, and such other officers or employees of the municipal corporation as the legislative authority directs, shall give a bond to the municipal corporation for the faithful performance of their duties, in such sum as the legislative authority fixes by ordinance or resolution. Premiums on official bonds may be paid by the municipal corporation.

The Fiscal Officer does not have a bond on file or a faithful performance of duty policy for our audit period. Failure to maintain an appropriate bond or policy leaves the Village unprotected if the Fiscal Officer does not perform their duties in accordance with the law.

We recommend that Village maintain and secure the proper documentation for proof of bond or be covered by an employee dishonesty and faithful performance of duty policy in place of the bond.

Officials' Response:

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

FINDING NUMBER 2019-019

Noncompliance – Negative Fund

Ohio Rev. Code § 5705.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established.

Therefore, a negative fund cash balance in any fund, likely indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance.

The Village had a deficit fund balance of \$4,762, in the Street Lighting Fund, at December 31, 2018. Negative fund balances could result in the use of restricted receipts for unallowable purposes. A procedure(s) and control(s), such as the Management and/or Board's periodic review of reports that show cash fund balances, and budgeted versus actual receipts and disbursements, should be implemented to identify those funds that may potentially develop a negative balance.

Advances or transfers should be made for these funds or appropriations modified to prevent a negative cash balance. The Entity should refer to Ohio Compliance Supplement (OCS) Chapter 1 and/or Auditor of State Bulletin 97-003 for information regarding the accounting treatment and approval process for advances.

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, 2019 AND 2018**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2017-001	No Permissive Motor Vehicle License (PMVL) Fund established	No	The Village did not establish, however, no PMVL was requested from the County.
2017-002	Minute Records	No	Repeated as Finding 2019-003
2017-003	Posting Transactions	No	Repeated as Finding 2019-001
2017-004	Internal Controls	No	Internal Controls still an issue, repeated as Finding 2019-002
2017-005	Expenditures Exceeding Appropriations	No	See Finding 2019-016
2017-006	Late Filing	No	See Finding 2019-006
2017-007	Fiscal Officer Certification	No	Repeated as Finding 2019-008
2017-008	Required Accounting Records	No	Repeated as Finding 2019-013
2017-009	Annual Exemption for Continuing Education	No	Repeated as Finding 2019-009
2017-010	Public Records Policy & Training	No	Repeated as Finding 2019-012
2017-011	Fiscal Integrity Act	No	Repeated as Finding 2019-017
2017-012	Payroll Records	No	Repeated as Finding 2019-004
2017-013	Appropriation Measures	No	Repeated as Finding 2019-016
2017-014	Federal and State Tax Remittances	No	Repeated as Finding 2019-010

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MARTINSVILLE

CLINTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov