

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2009 and 2008

**KIMBERLY MILLER, FISCAL OFFICER**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Martinsburg, Knox County, prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 30, 2010

**This Page is Intentionally Left Blank.**

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report .....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types - December 31, 2009 and 2008 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types For The Year Ended December 31, 2009 .....	4
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary and Fiduciary Fund Types For The Year Ended December 31, 2009 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual For The Year Ended December 31, 2009 .....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types For The Year Ended December 31, 2008 .....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Proprietary and Fiduciary Fund Types For The Year Ended December 31, 2008 .....	8
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual For The Year Ended December 31, 2008 .....	9
Notes to the Financial Statements.....	10 - 15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16 - 17
Schedule of Findings and Responses.....	18 - 23
Schedule of Prior Audit Findings .....	24 - 25



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report**

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

To the Members of Council and Mayor:

We have audited the accompanying financial statements of the Village of Martinsburg, Knox County, Ohio, as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village of Martinsburg'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 in Note 3, the Village restated its Special Revenue Fund Type and Agency Fund Type fund balances at January 1, 2008.

As described more fully in Note 2, the Village of Martinsburg 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 of Martinsburg's larger (i.e. major) funds separately. While the Village of Martinsburg 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 governments to reformat their statements. The Village of Martinsburg 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Martinsburg as of December 31, 2009 and 2008, or its changes in financial position or cash flows of its proprietary fund type for the years then ended.

Independent Auditor's Report  
Village of Martinsburg  
Page 2

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 Martinsburg, Knox County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements, combined budgeted and actual cash receipts and budgeted and actual cash disbursements and encumbrances for the years then ended on the accounting basis Note 2 describes.

The Village of Martinsburg 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 June 28, 2010, on our consideration of the Village of Martinsburg'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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 28, 2010

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2009 AND 2008

Cash and Cash Equivalents:	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 15,185	\$ 16,565
Total Cash and Cash Equivalents	<u>\$ 15,185</u>	<u>\$ 16,565</u>
Cash Fund Balances		
Governmental Fund Types:		
General	\$ 4,071	\$ 1,905
Special Revenue	<u>5,931</u>	<u>8,652</u>
Total Governmental Fund Types	<u>10,002</u>	<u>10,557</u>
Proprietary Fund Type:		
Enterprise	<u>3,313</u>	<u>4,274</u>
Fiduciary Fund Type:		
Agency	<u>1,870</u>	<u>1,734</u>
Total Fund Balances	<u>\$ 15,185</u>	<u>\$ 16,565</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,990	\$ 627	\$ 9,617
Intergovernmental	16,776	2,194	18,970
Interest	3	4	7
Total cash receipts	<u>25,769</u>	<u>2,825</u>	<u>28,594</u>
Cash disbursements:			
Current:			
Public health services	2,545	-	2,545
Leisure time activities	177	-	177
Basic utility services	-	2,400	2,400
Transportation	-	3,146	3,146
General government	20,881	-	20,881
Total cash disbursements	<u>23,603</u>	<u>5,546</u>	<u>29,149</u>
Total cash receipts over/(under) cash disbursements	2,166	(2,721)	(555)
Cash fund balances, January 1, 2009	<u>1,905</u>	<u>8,652</u>	<u>10,557</u>
Cash fund balances, December 31, 2009	<u>\$ 4,071</u>	<u>\$ 5,931</u>	<u>\$ 10,002</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 28,474	\$ -	\$ 28,474
Contributions and donations	-	1,000	1,000
Total operating cash receipts	<u>28,474</u>	<u>1,000</u>	<u>29,474</u>
Operating cash disbursements:			
Personal services	12,363	-	12,363
Employee fringe benefits	3,724	-	3,724
Contractual services	11,445	-	11,445
Supplies and material	1,710	864	2,574
Miscellaneous	<u>193</u>	<u>-</u>	<u>193</u>
Total operating cash disbursements	<u>29,435</u>	<u>864</u>	<u>30,299</u>
Net cash receipts over/(under) cash disbursements	(961)	136	(825)
Cash fund balances, January 1, 2009	<u>4,274</u>	<u>1,734</u>	<u>6,008</u>
Cash fund balances, December 31, 2009	<u>\$ 3,313</u>	<u>\$ 1,870</u>	<u>\$ 5,183</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2009

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2009 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2009 Appropriations	Total	Actual 2009 Disbursements	Encumbrances Outstanding at 12/31/09	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 1,905	\$ 27,168	\$ 29,073	\$ 25,769	\$ (1,399)	\$ -	\$ 29,073	\$ 29,073	\$ 23,603	\$ 524	\$ 24,127	\$ 4,946
Special Revenue	8,652	9,101	17,753	2,825	(6,276)	-	17,753	17,753	5,546	-	5,546	12,207
Proprietary:												
Enterprise	4,274	26,298	30,572	28,474	2,176	-	30,572	30,572	29,435	205	29,640	932
Total (Memorandum Only)	<u>\$ 14,831</u>	<u>\$ 62,567</u>	<u>\$ 77,398</u>	<u>\$ 57,068</u>	<u>\$ (5,499)</u>	<u>\$ -</u>	<u>\$ 77,398</u>	<u>\$ 77,398</u>	<u>\$ 58,584</u>	<u>\$ 729</u>	<u>\$ 59,313</u>	<u>\$ 18,085</u>

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,597	\$ 846	\$ 9,443
Intergovernmental	17,641	2,519	20,160
Interest	6	20	26
Miscellaneous	472	-	472
Total cash receipts	<u>26,716</u>	<u>3,385</u>	<u>30,101</u>
Cash disbursements:			
Current:			
Security of persons and property	55	-	55
Public health services	1,768	-	1,768
Leisure time activities	9,345	-	9,345
Basic utility services	-	2,071	2,071
Transportation	-	11,667	11,667
General government	24,068	668	24,736
Total cash disbursements	<u>35,236</u>	<u>14,406</u>	<u>49,642</u>
Total cash receipts (under) cash disbursements	<u>(8,520)</u>	<u>(11,021)</u>	<u>(19,541)</u>
Other financing receipts			
Other sources	8,148	-	8,148
Total other financing receipts	<u>8,148</u>	<u>-</u>	<u>8,148</u>
Excess of cash receipts and other financing receipts (under) cash disbursements	(372)	(11,021)	(11,393)
Cash fund balances, January 1, 2008 - restated	<u>2,277</u>	<u>19,673</u>	<u>21,950</u>
Cash fund balances, December 31, 2008	<u>\$ 1,905</u>	<u>\$ 8,652</u>	<u>\$ 10,557</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for services	\$ 24,583	\$ -	\$ 24,583
Contributions and donations	-	964	964
Total operating cash receipts	<u>24,583</u>	<u>964</u>	<u>25,547</u>
Operating cash disbursements:			
Personal services	12,024	-	12,024
Employee fringe benefits	4,206	-	4,206
Contractual services	10,827	-	10,827
Supplies and material	2,750	-	2,750
Miscellaneous	180	-	180
Total operating cash disbursements	<u>29,987</u>	<u>-</u>	<u>29,987</u>
Net cash receipts over/(under) cash disbursements	(5,404)	964	(4,440)
Cash fund balances, January 1, 2008 - restated	<u>9,678</u>	<u>770</u>	<u>10,448</u>
Cash fund balances, December 31, 2008	<u>\$ 4,274</u>	<u>\$ 1,734</u>	<u>\$ 6,008</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2008

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2008 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2008 Appropriations	Total	Actual 2008 Disbursements	Encumbrances Outstanding at 12/31/08	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 2,277	\$ 34,586	\$ 36,863	\$ 34,864	\$ 278	\$ -	\$ 28,717	\$ 28,717	\$ 35,236	\$ -	\$ 35,236	\$ (6,519)
Special Revenue	19,673	8,836	28,509	3,385	(5,451)	-	28,509	28,509	14,406	-	14,406	14,103
Proprietary:												
Enterprise	9,678	25,532	35,210	24,583	(949)	-	35,210	35,210	29,987	-	29,987	5,223
Total (Memorandum Only)	<u>\$ 31,628</u>	<u>\$ 68,954</u>	<u>\$ 100,582</u>	<u>\$ 62,832</u>	<u>\$ (6,122)</u>	<u>\$ -</u>	<u>\$ 92,436</u>	<u>\$ 92,436</u>	<u>\$ 79,629</u>	<u>\$ -</u>	<u>\$ 79,629</u>	<u>\$ 12,807</u>

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Martinsburg, Knox County, Ohio (the "Village"), 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. The Village is directed by a publicly-elected six-member Council. The Village provides general government services, including water utilities and street maintenance.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village:

Governmental Fund Type:

General Fund

The general fund is used to account for all activities of the Village not required to be included 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 are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

The Village had the following significant special revenue funds:

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

*State Highway Improvement Fund* - (2009) This fund receives gasoline and motor vehicle tax money for constructing, maintaining and repairing village highways.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Proprietary Fund Type:

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

The Village had the following Enterprise Fund:

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

Fiduciary Fund Type:

Fiduciary funds include private purpose trust funds, investment trust fund, pension trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

The Village had the following fiduciary fund type (Agency):

*Parks and Recreation Fund* - This fund receives monies from various contributions and donations for the construction of a new skate park in the Village.

**B. BASIS OF ACCOUNTING**

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

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

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, (except for Agency funds) are legally required to be budgeted and appropriated). The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Village had appropriation modifications in 2008 and none in 2009.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2009. The Village had no outstanding encumbrances at December 31, 2008.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$7 and \$26 for the years ended December 31, 2009 and 2008, respectively.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Village’s funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded by the Village.

**F. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village’s cash basis method of accounting.

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis.

**NOTE 3 - PRIOR PERIOD RESTATEMENT**

The Village is restating its Special Revenue Fund Type and Agency Fund balance at December 31, 2007. In prior years, the Village presented stake park donations and related expenditures as a Special Revenue Fund Type. These funds are held on behalf of other parties and are not used for Village programs.

The prior period adjustment had the following effect on the Village’s fund balances.

	Special Revenue <u>Fund Type</u>	Agency <u>Fund Type</u>
Balance at December 31, 2007	\$ 20,443	\$ -
Reclass skate park activity	<u>(770)</u>	<u>770</u>
Restated Balance at January 1, 2008	<u>\$ 19,673</u>	<u>\$ 770</u>

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

	<u>2009</u>	<u>2008</u>
Deposits:		
Demand deposits	<u>\$ 15,185</u>	<u>\$ 16,565</u>

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

**NOTE 5 - COMPLIANCE**

- i.* Contrary to Ohio Revised Code Section 5705.36(A)(4), the Village had appropriations in excess of actual resources for the years ended December 31, 2009 and 2008.
- ii.* The Village had disbursements in excess of appropriations in noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B) for the years ended December 31, 2009 and 2008.

**NOTE 6 - PROPERTY TAX**

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

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

In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out. This assessment percentage for property, including inventory, was reduced to 12.5% for 2007, 6.25% for 2008 and was zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated during calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2006-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 7 - RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 10% for 2009 and 2008, respectively, of their gross salaries. The Village contributed an amount equal to 14% respectively, of participants' gross wages. The Village has paid all contributions required through December 31, 2009.

**NOTE 8 - RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

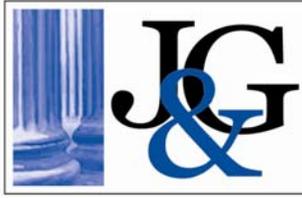
- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**NOTE 9 - CONTINGENT LIABILITIES**

The Village is currently not involved in litigation.

**NOTE 10 - OTHER FINANCING SOURCES**

Other financing sources in the General Fund for the year ended December 31, 2008 consisted of insurance proceeds.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

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

To the Members of Council and Mayor:

We have audited the financial statements of the Village of Martinsburg, Knox County, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 28, 2010, wherein we noted the Village of Martinsburg followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village of Martinsburg has restated its Special Revenue Fund Type and Agency Fund Type fund balances at January 1, 2008. 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 of Martinsburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village of Martinsburg's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village of Martinsburg'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 was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, that we consider to be material weaknesses.

A deficiency in internal control 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. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village of Martinsburg's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-VOM-001 and 2009-VOM-002 described in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor  
Village of Martinsburg

Compliance and Other Matters

As part of reasonably assuring whether the Village of Martinsburg'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 such an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2009-VOM-003, 2009-VOM-004 and 2009-VOM-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Martinsburg's management in a separate letter dated June 28, 2010.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 28, 2010

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2009-VOM-001

**Material Weakness - Bank Reconciliations**

The Village is required to have monthly bank reconciliations that reconcile all Village bank accounts to a combined total of the Village's fund balance.

The Village accounts in an agency capacity monies for a skate park. This bank account's 2009 disbursements activity was not recorded on the UAN system, resulting in an overstatement of \$864.

Without comprehensive reconciliations, the Village might mispost transactions and/or misrepresent actual cash balance to the Village Council and the entity for which the Village is the fiscal agent.

All adjusting entries have been recorded by the Village.

We recommend the Village Fiscal Officer prepare a comprehensive reconciliation on a monthly basis that accounts for all Village deposits.

*Client Response:* The current Fiscal Officer now has a better understanding of the UAN system and the full reconciliation process. Full reconciliations will be performed for 2010 and the future.

Finding Number	2009-VOM-002
----------------	--------------

**Material Weakness - Financial Reporting/Receipt Posting**

The Village is required to provide financial statements free from material misstatements in accordance with the UAN Village handbook.

**Prior Period Adjustments:**

The Village had a prior period adjustment to reclassify a special revenue fund to an agency fund.

**Park and Recreation** - The Village maintains a Park and Recreation Department which receives various contributions and donations for the construction of a new skate park in the Village. These funds are held for other parties and cannot be used to finance the Village's own operating programs. A prior period adjustment was necessary to properly account for the Park and Recreation Department as an agency fund in the amount of \$770.

We identified misstatements in the financial statements for the years under audit that were not initially identified by the Village's internal control. The following audit adjustments were made to the Village's financial statements.

**December 31, 2009**

**General Fund Intergovernmental Receipts** - An audit adjustment was necessary to reclass \$1,767 of intergovernmental receipts (primarily tangible personal property reimbursements) that were originally recorded in local taxes.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>	
Finding Number	2009-VOM-002 - (Continued)

**Park and Recreation Agency Fund Donation/Contribution Receipt** - An audit adjustment was necessary to reclass a \$1,000 donation for the skate park that was originally recorded in charges for services.

**Park and Recreation Agency Fund Disbursements** - An audit adjustment was necessary to record \$864 in supplies and materials disbursements which were previously unrecorded by the Village.

December 31, 2008

**General Fund Intergovernmental Receipts** - An audit adjustment was necessary to reclass \$1,535 of intergovernmental receipts (primarily tangible personal property reimbursements) that were originally recorded in local taxes.

**Insurance Claim Receipt** - An audit adjustment was necessary to reclass \$8,148 received from an insurance claim and recorded as a miscellaneous receipt into the general fund. The audit adjustment properly recorded the transaction as an other financing source.

**Park and Recreation Agency Fund Donation/Contribution Receipt** - An audit adjustment was necessary to reclass \$915 donation for the stake park that was originally recorded in charges for services.

The presentation of materially correct financial statements and the related footnotes is the responsibility of management. We recommend that the Village implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financials and footnotes. We also recommend the Village Fiscal Officer use the Village handbook as reference when recording receipts to help facilitate proper receipt code.

Client Response: The Village will make an effort to properly record such items in the future.

Finding Number	2009-VOM-003
----------------	--------------

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the clerk-treasurer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2009 and 2008, the Village had appropriations greater than actual resources, which consisted of actual receipts, beginning unencumbered fund balance and prior year encumbrances appropriated in the following funds:

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-VOM-003 - (Continued)

<u>December 31, 2009</u>	<u>Appropriations</u>	<u>Actual Resources</u>	<u>Excess</u>
<u>General</u>	\$ 29,073	\$ 27,674	\$ 1,399
<u>Special Revenue</u>			
Street Construction, Maintenance and Repair	14,268	9,118	5,150
State Highway	2,956	2,000	956
Permissive Motor Vehicle License	531	361	170
<u>December 31, 2008</u>	<u>Appropriations</u>	<u>Actual Resources</u>	<u>Excess</u>
<u>Special Revenue</u>			
Street Construction, Maintenance and Repair	\$ 23,393	\$ 18,985	\$ 4,408
State Highway	4,795	3,863	932
Permissive Motor Vehicle License	322	211	111
<u>Enterprise</u>			
Water Operating	35,210	34,261	949

By appropriating more funds than actual resources, the Village is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the Village monitor appropriations in comparison to actual resources and obtain decreased amended appropriations as needed. Further guidance may be found in Auditor of State Bulletin 97-010.

Client Response: The Village is attempting to monitor the budget more closely.

Finding Number	2009-VOM-004
----------------	--------------

Ohio Revised Code Section 5705.40 in part requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations against them.

The Village had expenditures exceeding the appropriations at year end for the year ended December 31, 2009 and 2008.

By not timely and properly modifying the Village's appropriations, the Village is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-VOM-004 - (Continued)

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations throughout the year and prior to year end. In addition, the Village should monitor its budgetary process on a regular basis.

*Client Response:* The Village Fiscal Officer is attempting to make appropriation modifications as approved by Council and certify them to the County in a more timely manner.

Finding Number	2009-VOM-005
----------------	--------------

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

At December 31, 2009, the Village had disbursements in excess of appropriations in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<b><u>General Fund</u></b>			
<u>Civil Defense</u>			
Other Contract Services	\$ 300	\$ 336	\$ 36
<u>Cemetery</u>			
Other Contract Services	1,800	2,209	409
<u>Provide and Maintain Parks</u>			
Buildings and Other Structures	68	150	82
<u>Mayor and Administrative Office</u>			
Medicare	1,415	1,512	97
<u>Legislative Activities</u>			
Salaries - Council	3,700	4,140	440
<b><u>Enterprise</u></b>			
<u>Water Operating Fund</u>			
<u>Administration - Water</u>			
Compensation of Board and Commission	2,500	2,990	490
Dues and Fees	50	320	270
Other - Other Contractual Services	2,000	3,083	1,083

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-VOM-004 - (Continued)

At December 31, 2008, the Village had disbursements in excess of appropriations in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<b><u>General Fund</u></b>			
<u>Civil Defense</u>			
Other Contract Services	\$ -	\$ 56	\$ 56
<u>Cemetery</u>			
Other Contract Services	1,000	1,680	680
<u>Provide and Maintain Parks</u>			
Other Personal Services	-	1,153	1,153
Public Employees Retirement System	-	165	165
Medicare	-	17	17
Building and Other Structures	-	6,984	6,984
Land and Improvements	-	660	660
Operating Supplies and Materials	300	316	16
Other - Supplies and Materials	-	50	50
<u>Mayor and Administrative Office</u>			
Medicare	200	1,070	870
<u>Clerk - Treasurer</u>			
Uniform Accounting Network Fees	1,000	1,103	103
<u>Land and Buildings</u>			
Electricity	450	486	36
Property Tax Collection Fees	220	329	109
<u>Boards and Commissions</u>			
Election Expense	240	311	71
<u>Other General Government</u>			
Workers Compensation	1,000	1,159	159

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009 AND 2008**

<b>1. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2009-VOM-004 - (Continued)

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
<b><u>Special Revenue</u></b>			
Street Construction Fund			
<u>Street Construction and Reconstruction</u>			
Auditing Services	\$ 1,000	\$ 3,098	\$ 2,098
State Highway Fund			
<u>Street Maintenance and Repair</u>			
Liability Insurance Premiums	-	692	692
<u>Traffic Signs and Signals</u>			
Electricity	700	738	38
<b><u>Enterprise</u></b>			
Water Operating Fund			
<u>Administration - Water</u>			
Workers' Compensation	-	859	859
Liability Insurance Premiums	1,000	1,004	4
<u>Pumping - Water</u>			
Electricity	2,200	2,651	451
Operating Supplies and Materials	2,000	2,195	195
Repairs and Maintenance of Mach. And Equip.	1,675	1,883	208

With disbursements exceeding appropriations, the Village is spending monies that have not been lawfully appropriated by Village Council. This may result in unnecessary spending or overspending which may result in a negative fund balance.

We recommend that the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

*Client Response:* The Village Council will attempt to pass amended appropriations as needed in accordance with the Ohio Revised Code.

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2007-VOM-001	<u>Significant Deficiency/Material Weakness</u> - Of 2006 disbursements examined, 58 of 87 did not have documentation such as an invoice and/or voucher to support the disbursement.	No	Partially corrected - moved to Management Letter
2007-VOM-002	<u>Significant Deficiency/Material Weakness</u> - Misstatements were identified in the financial statements for the year under audit that were not initially identified by the Village's internal control.	No	Repeated as finding 2009-VOM-002
2007-VOM-003	<u>Significant Deficiency/Material Weakness</u> - Accounting records frequently could not be located for the year ended December 31, 2006.	No	Partially corrected - moved to Management Letter
2007-VOM-004	<u>Significant Deficiency/Material Weakness</u> - A bank account was opened by a Council Member without prior approval by Village Council and was not accounted for on the Village books.	Yes	N/A
2007-VOM-005	Ohio Revised Code Section 5705.36 requires, in part, subdivisions to certify to the County Auditor the amount available from all sources for expenditures fro each fund along with any balances which existed at the end of the preceding year on or about the first day of each fiscal year.	Yes	N/A
2007-VOM-006	Ohio Revised Code Section 5705.36(A)(4) states that upon a determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate.	No	Repeated as finding 2009-VOM-003

**VILLAGE OF MARTINSBURG  
KNOX COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b><u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u></b>
2007-VOM-007	Ohio Revised Code Section 5705.41(B) requires, in part, that no subdivision is to expend monies unless it has been appropriated.	No	Repeated as finding 2009-VOM-005
2007-VOM-008	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the disbursements of monies are to be made unless there is a certificate of the Fiscal Officer 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.	Yes	N/A
2007-VOM-009	Ohio Revised Code Section 5705.40 requires, in part, that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation.	No	Repeated as finding 2009-VOM-004



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MARTINSBURG**

**KNOX COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2010**