



**Auditor of State
Betty Montgomery**

VILLAGE OF SAINT MARTIN
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

Village of Saint Martin
Brown County
20864 State Route 251
Fayetteville, Ohio 45118

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Betty Montgomery
Auditor of State

January 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Saint Martin
Brown County
20864 State Route 251
Fayetteville, Ohio 45118

To the Village Council:

We have audited the accompanying financial statements of Village of Saint Martin, Brown County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Saint Martin, Brown County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 20, 2006

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$900			\$900
Intergovernmental Receipts	4,092	\$ 2,860	\$ 238,332	245,284
Fines, Licenses, and Permits	200			200
Earnings on Investments	182	31		213
Miscellaneous	426			426
Total Cash Receipts	<u>5,800</u>	<u>2,891</u>	<u>238,332</u>	<u>247,023</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,653			1,653
General Government	3,477	1,000		4,477
Capital Outlay			238,332	238,332
Total Cash Disbursements	<u>5,130</u>	<u>1,000</u>	<u>238,332</u>	<u>244,462</u>
Total Receipts Over Disbursements	<u>670</u>	<u>1,891</u>	<u>0</u>	<u>2,561</u>
Fund Cash Balances, January 1	512	6,753	0	7,265
Fund Cash Balances, December 31	<u>\$1,182</u>	<u>\$8,644</u>	<u>\$0</u>	<u>\$9,826</u>

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$31,566
Total Operating Cash Receipts	31,566
Operating Cash Disbursements:	
Contractual Services	4,821
Supplies and Materials	19,646
Other Operating Expenses	1,202
Capital Outlay	26,775
Total Operating Cash Disbursements	52,444
Operating Loss	(20,878)
Non-Operating Cash Disbursements:	
Debt Service:	
OWDA Loan Principal Payments	(1,156)
OWDA Loan Interest Payments	(1,506)
Total Non-Operating Cash Disbursements	(2,662)
Net Receipts Under Disbursements	(23,540)
Fund Cash Balances, January 1	36,972
Fund Cash Balances, December 31	\$13,432

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$746		\$746
Intergovernmental Receipts	3,260	\$1,673	4,933
Earnings on Investments	286	39	325
Miscellaneous	389		389
	<u>4,681</u>	<u>1,712</u>	<u>6,393</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	1,149		1,149
Public Health Services	39		39
General Government	3,118	757	3,875
	<u>4,306</u>	<u>757</u>	<u>5,063</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	<u>375</u>	<u>955</u>	<u>1,330</u>
Fund Cash Balances, January 1	<u>137</u>	<u>5,798</u>	<u>5,935</u>
Fund Cash Balances, December 31	<u>\$512</u>	<u>\$6,753</u>	<u>\$7,265</u>

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$27,054
Total Operating Cash Receipts	<u>27,054</u>
Operating Cash Disbursements:	
Contractual Services	9,879
Supplies and Materials	11,154
Other Operating Expenses	3,163
Capital Outlay	<u>1,928</u>
Total Operating Cash Disbursements	<u>26,124</u>
Operating Income	<u>930</u>
Non-Operating Cash Disbursements:	
Debt Service:	
OWDA Loan Principal Payments	(2,637)
OWDA Loan Interest Payments	<u>(2,636)</u>
Total Non-Operating Cash Disbursements	<u>(5,273)</u>
Net Receipts Under Disbursements	(4,343)
Fund Cash Balances, January 1	<u>41,315</u>
Fund Cash Balances, December 31	<u><u>\$36,972</u></u>

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Saint Martin, Brown County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including water and sewer utilities, and police services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Deposits

The Village deposits all available funds in a non-profit checking account, savings account, and certificate of deposit at local commercial banks. The certificate of deposit is valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways within the Village.

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following capital project fund

OPWC Water Line Replacement Fund - This fund is used to account for the Ohio Public Works Commission grant proceeds and related expenditures for the water line replacement project.

4. Enterprise Funds

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

Water Revenue Fund – This fund receives charges for services from residents to cover the cost of providing water.

Sewer Revenue Fund – This fund receives charges for services from residents to cover the cost of providing sewer.

Water Development Fund – This fund was is used to collect the local matching for the Ohio Public Works Commission Grant water line replacement project.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. There were no encumbrances outstanding at December 31, 2004 or 2003.

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2004	2003
Demand deposits	\$17,426	\$38,443
Certificates of deposit	5,832	5,794
Total deposit	\$23,258	\$44,237

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,918	\$5,800	\$1,882
Special Revenue	1,643	2,891	1,248
Capital Projects	258,732	238,332	(20,400)
Enterprise	27,054	31,566	4,512
Total	\$291,347	\$278,589	(\$12,758)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,401	\$5,130	(\$729)
Special Revenue	1,400	1,000	400
Capital Projects	258,732	238,332	20,400
Enterprise	52,660	55,106	(2,446)
Total	\$317,193	\$299,568	\$17,625

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,918	\$4,681	\$763
Special Revenue	872	1,712	840
Enterprise	284,112	27,054	(257,058)
Total	\$288,902	\$33,447	(\$255,455)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,055	\$4,306	(\$251)
Special Revenue	1,000	757	243
Enterprise	306,107	31,397	274,710
Total	\$311,162	\$36,460	\$274,702

The Village did not obtain the certification of the fiscal officer to certify the availability of funds for all purchase commitments as required by Ohio law.

The Village did not reduce the budgeted receipts when actual receipts were not received as budgeted.

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General Fund by \$729, the Water Revenue Fund by \$218, and the Sewer Revenue Fund by \$2,519 for the year ended December 31, 2004. Expenditures exceeded appropriation in the General Fund by \$251, the State Highway Fund by \$100, the Water Revenue Fund by \$3,874, and the Sewer Revenue Fund by \$6,923 for the year ended December 31, 2003.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

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

Property owners assess tangible personal property tax. They must file a list of tangible property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on the Village's behalf.

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority #0985	\$20,354	7.00%

The Ohio Water Development Authority (OWDA) loan proceeds were used to pay for the cost of improving the Village's water system. The loan is collateralized by water revenues. The Village has agreed to set water rates sufficient to cover the OWDA debt service requirements.

Amortization of the above debt is scheduled as follows:

	<u>OWDA Loan</u>
Year ending December 31:	
2005	\$ 2,670
2006	2,678
2007	2,687
2008	2,697
2009	2,707
2010-2014	16,505
	<u>\$ 29,944</u>

6. RETIREMENT SYSTEMS

The Village's part time employee belongs to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, the OPERS member contributed 8.5 percent of his wages. The Village contributed an amount equal to 13.55 percent of the participant's gross salary.

The elected officials were not PERS members in 2003 or 2004, nor did they contribute to the Social Security System.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability

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Auditor of State Betty Montgomery

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

Village of Saint Martin
Brown County
20864 State Route 251
Fayetteville, Ohio 45118

To the Village Council:

We have audited the financial statements of the Village of Saint Martin, Brown County, Ohio (the Village), as of and for the year ended December 31, 2004 and 2003, and have issued our report thereon dated January 20, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-01 through 2004-05. In a separate letter to the Village's management dated January 20, 2006, we also reported other matters involving internal control over financial reporting we did not deem reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, of the reportable conditions described above, we consider items 2004-003 and 2004-004 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Village's management dated January 20, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 20, 2006

**VILLAGE OF SAINT MARTIN
SAINT MARTIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits expenditures in excess of appropriations. Expenditures exceeded appropriations as follows:

<u>2004</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund	\$4,401	5,130	(729)
Water Revenue Fund	19,341	19,559	(218)
Sewer Revenue Fund	6,253	8,772	(2,519)
<u>2003</u>			
General Fund	4,055	4,306	(251)
State Highway Fund	-	100	(100)
Water Revenue Fund	15,586	19,460	(3,874)
Sewer Revenue Fund	3,086	10,009	(6,923)

By allowing expenditures in excess of appropriations, the Village increases the risk that it will commit or disburse funds in excess of the amounts available. We recommend that the Village monitor expenditures to keep them within the limits established by the appropriations.

FINDING NUMBER 2004-002

Noncompliance Citation / Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make a contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every 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 a fiscal officer'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 Revised Code.

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

**FINDING NUMBER 2004-002
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified during 2003 and 2004, and encumbrances were not posted in the appropriation ledger. Failure to certify the availability of funds and encumber appropriations can result in overspending funds 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 assure that purchase commitments receive prior approval. To improved controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that 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.

We recommend the Village certify purchases to which section 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Material Weakness

Annual Financial Reports

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The annual financial reports were not accurately prepared. The following problems existed with the annual reports:

**FINDING NUMBER 2004-003
(Continued)**

- The reports were not properly or completely filled out
- Amounts did not carry from the combining statements to the combined statement
- Fund balances were not reported on the combined or combining statements
- The special revenue funds and were not reported on the combined statement
- The Water Improvement Fund was reported as a Capital Projects Fund on the Combining Statements, but was not reported on any combined statement
- Individual worksheets were not prepared for the Special Revenue and Enterprise Funds
- Debt Schedules were not completed
- The Comparison of Expenditures with Budgetary Authority was not completed.

It is important that the annual financial reports fairly and accurately present the Village's financial activity as the annual financial report figures may be used to make important financial decisions and planning. We recommend that the Clerk carefully review the instructions and the headings on the annual report to assure information is properly reported, and assure that all columns of the report foot. We also recommend that the Mayor or Council Members review the reports for completeness and accuracy before the reports are filed.

FINDING NUMBER 2004-004

Material Weakness

Budgetary Controls

Ohio Administrative Code, section 117-2-02(C)(1), states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Appropriations were not posted in the appropriation ledger for the Enterprise Funds in 2003. There were no appropriations posted in the appropriations ledger for 2004 for any fund. Estimated receipts were not posted in the receipts ledger for 2003 or 2004. Appropriations and estimated receipts must be posted to the ledgers so officials can monitor budgeted versus actual activity during the year. This lack of controls resulted in expenditures exceeding appropriations and allowed for appropriations to be made when funds were not available for expenditure.

FINDING NUMBER 2004-005

Reportable Condition

Utility Department

When designing the public office's system of internal control and the specific control activities, management should consider planning for adequate segregation of duties or compensating controls.

There is no segregation of duties over water and sewer receipts. The Clerk reads the meters, prepares and sends the bills, collects the receipts, makes the bank deposits, posts the receipts, and reconciles the bank statements. Utilities subsidiary records do not contain totals. A monthly summary of water usage, billings, receipts, and outstanding account balances is not prepared or presented to Council. A separate bank deposit slip is not made for utility receipts. A subsidiary ledger of receipts is not maintained that can be traced to the bank deposit and posting in the accounting records. A comparison of water purchased for resale and water sold is not prepared.

Failure to provide such controls could result in errors or irregularities which would not be detected in a timely manner. The Village should implement new procedures over the accounting for utility receipts which would provide totals for comparison of monthly billings, receipts, and outstanding account balances, and water purchases and customers' usage. Subsidiary ledgers should be maintained showing daily receipts that can be easily traced to the bank statement and accounting system postings. Monthly comparisons should be presented to Council for review. A member of council should sign off on the comparison and the bank statement as evidence that it has been reviewed.

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code, Section 5705.10 - deficit fund balances	Yes	
2002-002	Ohio Revised Code, Section 5705.41(D) – prior certification for expenditures	No	Not corrected – repeated as 2004-002
2002-003	Ohio Revised Code, Section 5705.39 – appropriations exceeded estimated resources	Yes	
2002-004	Ohio Revised Code, Section 5705.41(B) – expenditures exceeded appropriations	No	Not corrected – repeated as 2004-001
2002-005	Accounting System – ledgers not completed and inaccurate. Estimated receipts, appropriations and encumbrances not posted in ledgers	No	Some Improvement. Portions not corrected repeated as budgetary controls 2004-004



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VILLAGE OF SAINT MARTIN

BROWN 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
APRIL 13, 2006**