



Mary Taylor, CPA
Auditor of State

VILLAGE OF SAINT MARTIN
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2006.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Type - For the Year Ended December 31, 2005.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	27

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Saint Martin
Brown County
20609 Kelley Road
Lynchburg, Ohio 45142

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2008

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Saint Martin
Brown County
20609 Kelley Road
Lynchburg, OH 45142

To the Village Council:

We have audited the accompanying financial statements of the Village of Saint Martin, Brown County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

The Village did not provide sufficient documentation supporting the Enterprise Funds Charges for Services receipts for 2006. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded in the Enterprise Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Charges for Services represent 100% of the Enterprise Fund receipts.

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

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

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

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding the Enterprise Fund charges for services receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Saint Martin as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008, 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.



Mary Taylor, CPA
Auditor of State

August 20, 2008

**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, 2006**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$5,413	\$0	\$5,413
Intergovernmental	3,578	7,896	11,474
Fines, Licenses and Permits	200		200
Earnings on Investments	142	126	268
Miscellaneous	553		553
 Total Cash Receipts	 9,886	 8,022	 17,908
Cash Disbursements:			
Current:			
Security of Persons and Property	1,347		1,347
Transportation		2,995	2,995
General Government	5,005		5,005
 Total Cash Disbursements	 6,352	 2,995	 9,347
 Total Receipts Over Disbursements	 3,534	 5,027	 8,561
 Fund Cash Balances, January 1	 1,968	 12,297	 14,265
 Fund Cash Balances, December 31	 \$5,502	 \$17,324	 \$22,826

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, 2006**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$31,230
Total Operating Cash Receipts	31,230
Operating Cash Disbursements:	
Contractual Services	8,821
Supplies and Materials	17,308
Total Operating Cash Disbursements	26,129
Operating Income/(Loss)	5,101
Non-Operating Cash Disbursements:	
Redemption of Principal	1,341
Interest and Other Fiscal Charges	1,338
Total Non-Operating Cash Disbursements	2,679
Net Receipts Over Disbursements	2,422
Fund Cash Balances, January 1	10,993
Fund Cash Balances, December 31	\$13,415

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, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$811	\$0	\$811
Intergovernmental	3,241	4,206	7,447
Fines, Licenses and Permits	200		200
Earnings on Investments	102	60	162
Miscellaneous	535		535
	<u>4,889</u>	<u>4,266</u>	<u>9,155</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,252		1,252
Transportation		613	613
General Government	2,851		2,851
	<u>4,103</u>	<u>613</u>	<u>4,716</u>
Total Receipts Over/(Under) Disbursements	<u>786</u>	<u>3,653</u>	<u>4,439</u>
Fund Cash Balances, January 1	<u>1,182</u>	<u>8,644</u>	<u>9,826</u>
Fund Cash Balances, December 31	<u>\$1,968</u>	<u>\$12,297</u>	<u>\$14,265</u>
Reserve for Encumbrances, December 31	<u>\$97</u>	<u>\$0</u>	<u>\$97</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, 2005**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$28,570
Total Operating Cash Receipts	28,570
Operating Cash Disbursements:	
Contractual Services	9,568
Supplies and Materials	18,771
Total Operating Cash Disbursements	28,339
Operating Income/(Loss)	231
Non-Operating Cash Disbursements:	
Redemption of Principal	1,245
Interest and Other Fiscal Charges	1,425
Total Non-Operating Cash Disbursements	2,670
Net Receipts (Under) Disbursements	(2,439)
Fund Cash Balances, January 1	13,432
Fund Cash Balances, December 31	\$10,993
Reserve for Encumbrances, December 31	\$1,484

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, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Saint Martin, Brown County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Village deposits all available funds into in a checking account, savings account, and certificate of deposit at local commercial banks. The Village values certificates of deposit at fair value.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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

3. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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

F. Property, Plant, and Equipment

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

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

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

2. Equity in Pooled Cash and Deposits

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

	2006	2005
Demand deposits	\$30,019	\$19,284
Certificates of deposit	6,222	5,974
Total deposits	\$36,241	\$25,258

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

3. Budgetary Activity

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

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,018	\$9,886	\$4,868
Special Revenue	4,298	8,022	3,724
Enterprise	31,480	31,230	(250)
Total	\$40,796	\$49,138	\$8,342

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,852	\$6,352	(\$1,500)
Special Revenue	4,000	2,995	1,005
Enterprise	32,836	28,808	4,028
Total	\$41,688	\$38,155	\$3,533

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,997	\$4,889	\$892
Special Revenue	2,815	4,266	1,451
Enterprise	27,500	28,570	1,070
Total	\$34,312	\$37,725	\$3,413

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

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

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,782	\$4,200	\$582
Special Revenue	1,600	613	987
Enterprise	28,058	32,493	(4,435)
Total	\$34,440	\$37,306	(\$2,866)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Revenue fund by \$4,667 for the year ended December 31, 2005 and in the General fund by \$1,500 for the year ended December 31, 2006.

Contrary to Ohio law, the Village did not obtain the certification of the fiscal officer to certify the availability of funds for all purchase commitments.

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$17,769	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, including interest, is scheduled as follows:

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

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

5. Debt (Continued)

Year ending December 31:	<u>OWDA Loan</u>
2007	\$2,687
2008	2,697
2009	2,707
2010	2,718
2011	2,730
2012 – 2015	<u>11,057</u>
Total	<u><u>\$24,596</u></u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. Related Party Transactions

The Village Mayor Gordon Fitzpatrick was paid to perform sewage bed repair during fiscal year 2005. The Village paid \$500 for this service. The Village paid Dawn Voss, a council member, \$70 to read meters during fiscal year 2006.

9. Compliance

The fiscal officer failed to accurately maintain the Village's books as required Ohio Revised Code, Section 733.28.

The Village did not file an annual file report.

The Village did not retain records in accordance with Ohio Rev. Code Section 149.351.

The Village did not maintain their minutes in accordance with Ohio Revised Code Sections 121.22 and 149.43.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Village of Saint Martin
Brown County
20609 Kelley Road
Lynchburg, Ohio 45142

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 years ended December 31, 2006 and 2005, and have issued our report thereon dated August 20, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002, 2006-004, 2006-007 and 2006-008.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-002, 2006-004 and 2006-008 are also material weaknesses.

We noted certain matters that we reported to the Village's management in a separate letter dated August 20, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2006-001 through 2006-007.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated August 20, 2008.

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



Mary Taylor, CPA
Auditor of State

August 20, 2008

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2006-001

Material Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. During 2006, the General Fund had expenditures of \$6,352 which exceeded appropriations of \$4,852 by \$1,500. During 2005, expenditures of \$25,105 exceeded appropriations of \$20,438 by \$4,667 in the Water Revenue Fund.

The management of the Village should monitor the budgetary receipts and expenditures by having the fiscal officer provide budgetary reports at least quarterly to be reviewed and approved by the Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

FINDING NUMBER 2006-002

Material Noncompliance Citation/Significant Deficiency

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any 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.

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.

**FINDING NUMBER 2006-002
(Continued)**

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. 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.

One hundred percent of the purchases tested were initiated without obtaining the prior certification of the fiscal officer and were not subsequently approved by the Village within the aforementioned 30 day time period. In addition, encumbrances were not recorded in the appropriations ledger. Failure to properly encumber could result in overspending funds and negative cash fund balances. Audit adjustments were made to the financial statements to record outstanding encumbrances at December 31, 2006 and 2007.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that 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 officials and employees obtain the Clerk/Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Village should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2006-003

Material Noncompliance Citation

Ohio Rev. Code, Section 117.38, requires each public office to file an annual financial report made in accordance with forms prescribed by the Auditor of State within sixty days after the close of the fiscal year. The Village did not file the 2006 or 2005 report within the required sixty days. If the annual financial reports are not completely and accurately presented, the reports can not be relied upon by management or others using these reports. The statements and columns of the report that are applicable to the Village should be completed and someone should review the reports to check that they are properly completed before they are filed with the Auditor of State. The reports should be filed within sixty days after the close of the fiscal year. The Village should maintain proof of mailing of the report by the required date.

FINDING NUMBER 2006-004

Material Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 733.28, states, in part, that the village clerk shall keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived thereof, and all taxes and assessments.

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.

Ohio Administrative Code, Section 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;
 - iv. Information regarding non-monetary benefits such as car usage and life insurance
 - v. Information, by employee, regarding leave balances and usage

**FINDING NUMBER 2006-004
(Continued)**

- 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

The Village financial records contained numerous posting errors resulting the following audit adjustments and reclassifications to the 2006 and 2005 financial statements.

- Reclassifications to post expenditures to the appropriate line item in the amounts of \$8,945 in 2005 and \$4,802 in 2006.
- Reclassification of a refund for 2006 water bill overpayments in the amount of \$1,467.
- Reclassification of \$1,337 in 2006 and \$1,425 in 2005 for interest paid on debt that was recorded as principal retirement
- Adjustments to post tax receipts at gross in the amount of \$170 in 2006
- Reclassification to properly report Time Warner receipts in the amount of \$535, and \$552 for 2005 and 2006, respectively.

Additionally, the totals from the appropriations ledger and receipt ledger did not agree to the totals in the cash ledger. The Utility billing records did not include a master file with the service addresses, billing addresses, and billing name. The past due balances were not carried forward. The building permits were not issued in numerical order and there was no log of the permits that had been issued. As a result, the records maintained by the Fiscal Officer were not an accurate reflection of all moneys received and expended.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Councils' ability to monitor financial activity and make informed financial 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.

We recommend the Village Fiscal Officer accurately maintain the Village's accounting records in accordance with the Ohio Administrative Code. Appropriation and receipt ledgers should be maintained to aid in reconciling the cash ledger and bank records. Utility billing records should include master file information including service addresses, billing address, and billing name. Past due balances should be carried forward and added to current month total to show the total amount due at each billing. Building permits should be issued in numerical order and maintained in a log.

FINDING NUMBER 2006-005

Material Noncompliance Citation

Ohio Rev. Code, Section 149.351(A), provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code.

During the audit period, the Village did not provide complete documentation of the following items:

- January 2005 Bank Statements and Deposits Slips
- January, February, and March 2005 canceled checks
- Supporting documentation for seven out of fifty vouchers tested

Detailed invoices were not attached to seven of the fifty vouchers tested to support the validity or proper posting of the expenditure; no documentation was presented that disbursements were authorized before payment; and no prior approval of bill payment was noted in the minutes. During our testing of non-payroll disbursements 14% of the expenditures tested did not have invoices or sufficient detail on the supporting documentation to evaluate whether it was for a proper public purpose. We were able to perform alternative procedures to determine that the expenditures lacking the detail were for a proper public purpose. Some of these procedures included reviewing canceled checks for proper endorsements, inquiry with the officials and review of minutes for approval by the Council.

We recommend the Fiscal Officer attach vendor invoices and supporting documentation including, but not limited to, original itemized invoices of goods and services received and mileage logs, to the vouchers to support the validity of the expenditure and Village Council should institute procedures for the approval of the payment of bills. No check should be signed, unless it is supported by detailed receipt or invoice. By requiring a detailed receipt before the check is cut, the Village would ensure that the expenditures are properly approved. Once invoices have been approved for payment, the Fiscal Officer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet. Voucher packets should be maintained in numerical sequence.

Disposal of records should only be made in accordance with an approved records retention schedule. In addition, all supporting documentation of receipts, expenditures, and bank reconciliations should be maintained. The Village should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel.

FINDING NUMBER 2006-006

Material Noncompliance Citation

White v. Clinton Cty. Bd. of Comm'rs (1996), 76 Ohio St.3d 416 and Ohio Rev. Code Sections 121.22 and 149.43, impose 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. State ex rel. Fairfield Leader v. Ricketts (1990), 56 Ohio St.3d 97. The following items were noted:

- The Village did not document a full and accurate record of their proceedings. The minute record did not include all significant actions taken by council. White out was used throughout the minutes. There was no way to verify when the changes were made or if they were approved by Council;
- All of the Village's minutes were not presented for audit;
- Minutes were not signed by the officials attesting to their accuracy.
- Financial information was not always presented for approval by the Council, additionally, Council did not review and approve monthly reconciliations;

As the Council speaks only through its record of proceedings (minutes), the following recommendations were made to ensure that the minutes properly reflect parliamentary procedures and the actions of the Village officials.

- Minutes should be prepared on a timely basis and presented at the subsequent meeting and approved by the Council. White out should not be used to make changes, instead the Village should approve all changes made to the minutes;
- All actions taken by the Council should be indexed under proper headings to provide easy access to all resolutions; all resolutions should be numbered and made a part of a permanent record of proceedings;
- Minutes should be signed by the officials affirming their accuracy and should be maintained in a sequentially numbered book that is permanently bound; each topic, resolution, motion, etc. should be sub-headed or identified either in the margin or at the head of each paragraph for easier reading and referencing;
- Review of the monthly and annual financial data, including reconciliations, budgets, appropriations, transfers, required reports, and any advertisements for the same, should be documented as a permanent part of the minute record.

Prompt review of the minutes allows the Council the ability to make any necessary changes in a timely fashion. Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the Council's actions and would assist in locating specific actions of the Council.

FINDING NUMBER 2006-007

Material NonCompliance Citation/Significant Deficiency

Ohio Admin. Code, Section 117-2-01(A), provides that 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. Subsection (D) states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Plan for adequate segregation of duties or compensating controls.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer processes all the financial record keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management. It is, therefore, important that Council monitor financial activity.

Council was not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing minutes and reviewing bills, as a result, the following weaknesses were noted:

- Monthly financial reports such as budget and actual and bank reconciliations were not presented to Council for their review;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;
- Receipts and expenditures were posted to improper funds or classified incorrectly;
- The Council did not review and approve the monthly reconciliations;

The lack of timely financial reports and accurate fund balances significantly reduces Councils' ability to monitor the Village's financial position. This may create an environment which promotes future fraud or inaccurate financial reporting.

To help strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend the Village officials and management implement the following controls:

- Monthly budget and actual financial reports be prepared and submitted to the Council. This submission should occur prior to the regular meetings so that Council members have an opportunity to review the information and ask informed questions at the meetings. Discussion of the monthly financial reports should be documented in the minutes;

**FINDING NUMBER 2006-007
(Continued)**

- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The person which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer;
- Minutes of the meetings should be prepared, approved, and available for public inspection in a timely manner. The minutes should also include all actions taken by the Village during those meetings. For each regular meeting, the Fiscal Officer should provide the Council members with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances, receipts and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer;

Council and Fiscal Officer should attend training on the proper procedures to follow in recording Village records and in conducting Village business. In addition, the Council members and Fiscal Officer should read and study the Ohio Revised Code, Ohio Administrative Code, and Ohio Village Manual to learn the laws required to be followed to more effectively manage the Village.

FINDING NUMBER 2006-008

Material Weakness

Statement of Auditing Standards No. 70 (SAS 70) as amended by SAS No. 89, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Village with an appropriate level of assurance that water and sewer billings and collections are being processed in conformance with the contract. The Village has delegated the water billing and collection process, which is a significant accounting function, to Highland County Water Company, Inc., a third-party administrator.

The Village has not established procedures to reasonably determine that the water billings and collections have been completely and accurately processed. In addition, the Village did not provide sufficient documentation supporting the Enterprise Funds Charges for Services receipts for 2006. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded in the Enterprise Fund, or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Charges for Services represent 100% of the Enterprise Fund receipts.

We recommend that the Village implement procedures to reasonably assure the completeness, and accuracy of utilities processed by their third-party administrator. Statement on Auditing Standards No. 70 (SAS 70) as amended by SAS's No. 78 and 88, prescribes testing and reporting standards for audits of processing controls which should satisfy this requirement. As described in those Statements, we suggest that the Village obtain a "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" from the third-party administrator. Such a report, if unqualified, would provide evidence to the Village's management that the utilities were being processed in conformance with the contract. Reports should be prepared and reconciled and management should take an active role in monitoring the activity of the utilities.

**FINDING NUMBER 2006-008
(Continued)**

Officials' Response:

We did not receive a response from officials to the findings above.

This page intentionally left blank.

**VILLAGE OF SAINT MARTIN
BROWN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC 5705.41(B) expenditures exceeded appropriations.	No	Reissued as Finding 2006-001.
2004-002	ORC 5705.41(D) prior certification for expenditures	No	Reissued as Finding 2006-002
2004-003	Annual Financial Reports not complete or accurate	No	Reissued as Findings 2006-003 and 2006-004
2004-004	OAC 117-2-02(C)(1) Budgetary Controls should be integrated at legal level of control.	No	Reissued as Finding 2006-004
2004-005	Utility Dept Segregation of duties.	No	Reissued as Finding 2006-007



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 9, 2008**