



Dave Yost • Auditor of State

VILLAGE OF MACKSBURG
WASHINGTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Cash Receipts, Cash Disbursements, and Fund Cash Balances - All Fund Types - For the Year Ended December 31, 2014	3
Statement of Cash Receipts, Cash Disbursements, and Fund Cash Balances – All Fund Types - For the Year Ended December 31, 2013	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements and related notes of the Village of Macksburg, Washington County, Ohio (the Village), as of December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The supporting documentation for all of the Village's receipt and expense transactions for the period January 1, 2013 through December 31, 2014 was destroyed in a roof leak at the Village offices early in 2015. We were unable to satisfy ourselves by other auditing procedures the existence and accuracy of recorded transactions in respect to the elements making up the Statement of Cash Receipts, Cash Disbursements and Fund Cash Balances as of December 31, 2014 and 2013.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

September 8, 2016

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>January 1 Fund Balances</u>	<u>Total Cash Receipts</u>	<u>Total Cash Disbursements</u>	<u>December 31 Fund Balance</u>
General Fund	\$10,966	\$10,280	\$11,688	\$9,558
Special Revenue Funds:				
Street Construction, Maintenance and Repair	750	0	166	584
Permissive Tax	4,921	0	0	4,921
Special Assessment	3,915	0	0	3,915
Total Special Revenue Funds	<u>9,586</u>	<u>0</u>	<u>166</u>	<u>9,420</u>
Unclassified Fund	<u>(6,126)</u>	<u>11,981</u>	<u>22,297</u>	<u>(16,442)</u>
Total All Funds	<u><u>\$14,426</u></u>	<u><u>\$22,261</u></u>	<u><u>\$34,151</u></u>	<u><u>\$2,536</u></u>

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>January 1 Fund Balances As Restated</u>	<u>Total Cash Receipts</u>	<u>Total Cash Disbursements</u>	<u>December 31 Fund Balance</u>
General Fund	\$1,241	\$15,412	\$5,687	\$10,966
Special Revenue Funds:				
Street Construction, Maintenance and Repair	(9,219)	13,586	3,617	750
Permissive Tax	4,753	168	0	4,921
Special Assessment	3,915	0	0	3,915
Total Special Revenue Funds	<u>(551)</u>	<u>13,754</u>	<u>3,617</u>	<u>9,586</u>
Unclassified Fund	<u>313</u>	<u>38,947</u>	<u>45,386</u>	<u>(6,126)</u>
Total All Funds	<u><u>\$1,003</u></u>	<u><u>\$68,113</u></u>	<u><u>\$54,690</u></u>	<u><u>\$14,426</u></u>

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

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

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

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Admin. Code § 117-02-02(A). This Ohio Admin. Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits

The Village had one primary, interest bearing checking account and two non-interest bearing checking accounts during the audit period.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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 MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting

3. Unclassified Fund

This fund was used to account for and report financial resources that the Village chose not to classify as being resources or expenditures as being unrestricted or restricted for a special purpose.

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The Village did not classify the fund balances at December 31, 2014 and 2013.

G. 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 MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. Restatement of Beginning Balance

The Village carried reconciling items on the bank reconciliation that were, in fact, transactions that cleared the bank but were not posted to the books in the year they occurred. As a result, the January 1, 2013 balance was restated as follows:

Fund Type	12/31/2012 Balance	Amount	Restated 1/1/2013 Balance
Unclassified Fund	\$905	(\$592)	\$313

3. Equity in Pooled Deposits

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

	2014	2013
Demand deposits	\$2,536	\$14,426

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$10,280	\$10,280
Special Revenue	0	0	0
Unclassified	0	11,981	11,981
Total	\$0	\$22,261	\$22,261

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$11,688	(\$11,688)
Special Revenue	0	166	(166)
Unclassified	0	22,297	(22,297)
Total	\$0	\$34,151	(\$34,151)

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$15,412	\$15,412
Special Revenue	0	13,754	13,754
Unclassified	0	38,947	38,947
Total	\$0	\$68,113	\$68,113

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$5,687	(\$5,687)
Special Revenue	0	3,617	(3,617)
Unclassified	0	45,386	(45,386)
Total	\$0	\$54,690	(\$54,690)

Contrary to Ohio law, the Village did not formally adopt a Certificate of Estimated Resources or Appropriation Measure for either 2014 or 2013. Also contrary to Ohio law, the Street Construction, Maintenance and Repair Special Revenue Fund had a cash deficit balance of \$9,219 from January 1, 2013 through March 31, 2013 and a cash deficit balance of \$9,237 at April 30, 2013.

5. 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.

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

6. Social Security

The Village's elected officials and employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Due to the lack of support, the rates and amounts of employee and employer contributions could not be determined.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



Dave Yost • Auditor of State

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

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

To the Village Council:

We were engaged to audit in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2016, wherein we noted the Village did not follow the financial reporting provisions that Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We did not opine on these financial statements because the supporting documentation for all of the Village's receipt and expense transactions for the period January 1, 2013 through December 31, 2014 was destroyed in a roof leak at the Village offices early in 2015. We were unable to satisfy ourselves by other auditing procedures the existence and accuracy of recorded transactions in respect to the elements making up the Statement of Cash Receipts, Cash Disbursements and Fund Cash Balances as of December 31, 2014 and 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2014-003, 2014-007 and 2014-008 to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2014-001 through 2014-007.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 8, 2016

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Finding for Recovery

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when “an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated...”

As the Village’s fiscal officer, Kimberlee Gardine used the Village debit card to make purchases during the audit period, January 1, 2013 through July 31, 2015, totaling \$1,980, which were illegal and not related to the operations of the Village. The purchases consisted of the following:

Date of Expense	Vendor	Amount	Description
8/29/2013	Frontier Online	\$370	Personal internet expense
11/25/2013	Frontier Online	\$278	Personal internet expense
8/11/2014	Frontier Online	\$289	Personal internet expense
11/17/2014	Frontier Online	\$211	Personal internet expense
1/2/2015	Frontier Online	\$286	Personal internet expense
7/8/2015	Frontier Online	\$110	Personal internet expense
12/31/2013	Progressive Insurance	\$272	Personal Insurance expense
7/10/2013	Wal Mart	\$154	Camera purchase
7/22/2013	Wal Mart	\$10	Photos purchase
Total		\$1,980	

In addition, the fiscal officer, Kimberlee Gardine, used the Village debit card at ATM machines to make cash withdrawals for which no corresponding receipt was maintained to support the cash expenditure. We identified ten ATM withdrawals, totaling \$1,905, made from the Village bank account.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a proposed Finding for Recovery for public monies converted or misappropriated in the amount of \$3,885 is hereby issued against Kimberlee Gardine and her bonding company, Western Surety Company, jointly and severally liable in favor of the Village of Macksburg’s General Fund.

Official’s Response: The Officials chose not to respond pending an active court case.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 117.38 provides that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-002 (Continued)

Noncompliance - Ohio Rev. Code § 117.38 (Continued)

The report shall contain the amount of: (1) receipts, and amounts due from each source; (2) expenditures for each purpose; (3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village's prepares cash-basis financial reports. Accordingly, the financial reports were required to be submitted to the Auditor of State within sixty days of year end. However, the Village did not file the annual report for the years ending December 31, 2013 or 2014. This resulted because the Village did not prepare or maintain proper financial record during the year.

The Village Fiscal Officer should prepare the annual reports timely based upon financial information in their accounting system. The report should be filed with the Auditor of State within sixty days of fiscal year end. The Village should implement proper systems and procedures to ensure that the financial report is timely and accurately prepared utilizing their records. This will help to ensure complete and proper records are prepared and filed timely.

Official's Response: The Village will prepare and submit an annual financial report by the required date going forward.

FINDING NUMBER 2014-003

Noncompliance and Material Weakness

Ohio Rev. Code § 149.351(A) provides that all records are the property of the public office concerned 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 §§ 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under § 149.33 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated, or transferred unlawfully.

All expenditures made during 2013 and 2014 had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. Additionally, we were unable to satisfy ourselves as to management's assertions over completeness and existence over receipts due to the lack of supporting documentation to describe the purpose, source and allowable uses of receipts. No minute record was available to document the actions of the Village Council for the two year period.

The failure to maintain adequate support for receipts and expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

The Village Fiscal Officer should take the necessary steps to ensure all records are maintained for public inspection and that no disbursements are made unless supporting documentation is available.

Official's Response: The Officials will maintain and secure all supporting public records.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-004

Noncompliance

Ohio Revised Code § 5705.10(I) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Street Construction, Maintenance and Repair Fund had a deficit cash balance of \$9,219 from January 1, 2013 through March 31, 2013 and a deficit cash balance of \$9,237 at April 30, 2013. A deficit cash fund balance indicates that money from one fund was used to cover the expenses of another fund.

Money paid into a fund should be used only for the purpose for which such fund was established. Expenditures should not be permitted from funds with negative balances. The Village should take the necessary steps to monitor fund balances throughout the year and, if necessary, reduce spending, increase revenues or both.

Official's Response: The Officials will monitor spending levels and make sure expenditures are posted to the correct funds.

FINDING NUMBER 2014-005

Noncompliance

Ohio Rev. Code § 5705.36 provides that, on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Village officials did not file the certificate with the County Auditor for 2014 or 2013. As a result the Village officials were unable to properly budget its expenditures, which could lead to expending more money than is available.

The Village officials should file the certificate with the County Auditor on or about the first day of each fiscal year.

Official's Response: The Officials will take the necessary steps to ensure the Fiscal Officer certifies the total amount from all sources available for expenditures from each fund to the County Auditor on or about the first day of the fiscal year.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-006

Noncompliance

Ohio Rev. Code § 5705.38(A) provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

The Village never adopted 2013 or 2014 appropriations nor were appropriations filed with the County Budget Auditor. As a result, 100% of expenditures were made absent of legal appropriations.

Council should adopt permanent appropriations on or around the first day of each fiscal year and that these appropriations meet the minimum requirements as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

Official’s Response: The Officials will take the necessary steps to adopt an appropriation measure and file it with the County Auditor on or about the first day of the fiscal year

FINDING NUMBER 2014-007

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices 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 required by rule 117-2-03 of the Administrative Code.

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 account for each type of receipt of each fund the public office uses. The amount, date, name of payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger; and
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, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-007 (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)

In addition, all local public offices should maintain or provide a report similar to the following payroll records:

- W-2 forms, W-4 forms and other withholding records and authorizations;
- Payroll journals 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 the employee (such as termination payment), and the fund and account charged for the payments;
- Check register that includes, in numerical sequence, the check number, payee, net amount and the date;
- Information regarding nonmonetary benefits such as car usage and life insurance; and
- Information, by employee, regarding leave balances and usage.

Using these accounting records will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

During the audit period, the Village did not maintain, or did not complete a receipts ledger, appropriation ledger that maintained running balances. The Village Fiscal Officer did not classify transactions within the restricted funds and General Fund. While the monthly balance sheet amounts were reconciled to the bank, there was no support for the amounts shown on the balance sheets. There was also no indication of a receipt book to document date and source of items received. As a result, the Village was unable to prepare an accurate and complete set of financial statements for the audit period.

Failure to maintain adequate accounting records restricts the Village's ability to monitor its financial activity and status, eliminating key management tools for making sound financial decisions.

The Village officials should implement and utilize an accounting system in accordance with Ohio Admin. Code § 117-2-02.

Official's Response: The Officials will entertain the idea of switching to an accounting system such as the Uniform Accounting System to assist the Fiscal Officer in preparing interim and annual financial reports that generate the required journals and ledgers described above.

FINDING NUMBER 2014-008

Material Weakness

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

The small size of the Village staff did not allow for an adequate segregation of duties; the Village Fiscal Officer was responsible for all accounting functions. Therefore, it is important the Village Council function as a finance committee to monitor financial activity closely. Actual revenues and expenses should be compared to budgeted amounts each month, and reported to and reviewed by the Village Council. The Village Council should determine the reason actual expenditures varied from budgeted expenditures by making inquiries to management. Additionally, the Village Council should compare their actual cash

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013
(Continued)**

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

FINDING NUMBER 2014-008 (Continued)

Material Weakness – Monitoring/Segregation of Duties (Continued)

balance to budgeted cash balances at the end of each month. When the actual cash balance is below the budgeted cash balance, the Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance. In addition, the Village Council should review and approve bank reconciliations and expenditures monthly.

There was no documentation supporting the Village Council's review of monthly bank reconciliations for any Village accounts, or the extent to which the Council used financial information to monitor the financial activity of the Village. The lack of financial information provided for the Council monthly to review hampers the Council's ability to effectively monitor the financial activity and position of the Village.

The lack of controls over expenditures and financial reporting adversely affected 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.

The financial information presented to the Village Council should be presented on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Village's cash book to gain assurances that the records posted are posted up to date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Village Council meetings.

The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

Inquiries Relevant to overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Village, we recommend the Council Members review and accept/approve the monthly financial information provided by the Village Fiscal Officer. We recommend the Village Fiscal Officer provide a detailed budget and financial statements, cash balances and check paid, and completed bank reconciliations for each regular Council meeting. The review of this information should be noted in the minutes of the meeting of the Council.

Official's Response: The Officials will require the Fiscal Officer to generate reports that are understandable and accurate so they can monitor the financial activity monthly. The Fiscal Officer will also be responsible for explaining the reports and answering Council's questions relating to them.



Dave Yost • Auditor of State

VILLAGE OF MACKSBURG

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2016