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Certified Public Accountants, A.C.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY  
Regular Audit**

**For the Years Ended December 31, 2014 and 2013**

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# Dave Yost • Auditor of State

Village Council  
Village of Martinsville  
PO Box 177  
Martinsville, OH 45146

We have reviewed the *Independent Auditor's Report* of the Village of Martinsville, Clinton County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Brown's Distributing**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Prior to beginning audit work for the 2012-2011 audit period, the Auditor of State's office received information from a concerned citizen of the Village that various Village employees were purchasing items from Brown's Distributing, Inc. on the Village's charge account. These purchases included gasoline, motor oil, and other miscellaneous items that were not consistent with the type and quantity of services being provided by the Village. Additionally, the Auditor of State's office was informed that during the audit period, the Village did not own any functioning vehicles.

All purchases made from Brown's Distributing, Inc. and paid for during the first half of 2013 were tested. Expenditures were identified lacking sufficient supporting documentation. There were charges showing on the statements for which there was no signatory on the charge receipt nor was there sufficient documentation provided to support the expenditures to be paid for by the Village. The description of the 2013 charges and payments follows:

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The following 27 purchases totaling \$1,011 were charged by James R. Robinson in 2013 for gas, fuel, batteries, and oil that were claimed to have been purchased on behalf of the Village, but no supporting mileage log or detailed invoices were provided for audit by the village.

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19956	2/13/2013	1001	12/1/2012	\$19	Gas
19956	2/13/2013	1001	12/2/2012	40	Gas
19956	2/13/2013	1001	11/24/2012	24	Gas
19956	2/13/2013	1001	12/4/2012	39	Gas
19956	2/13/2013	1001	12/16/2012	56	Fuel misc. heat, oil
19956	2/13/2013	1001	12/17/2012	52	Gas
19956	2/13/2013	1001	12/7/2012	68	Fuel, batteries
19956	2/13/2013	1001	12/12/2012	29	Gas
19956	2/13/2013	1001	12/12/2012	26	Gas
19956	2/13/2013	1001	12/13/2012	71	Gas
19956	2/13/2013	1001	12/13/2012	37	Gas
19956	2/13/2013	1001	12/17/2012	40	Gas
19956	2/13/2013	1001	12/14/2012	23	Gas
19956	2/13/2013	1001	12/15/2012	37	Gas
19956	2/13/2013	1001	12/16/2012	15	Fuel
19956	2/13/2013	1001	12/18/2012	29	Gas
19956	2/13/2013	1001	12/19/2012	40	Gas
19956	2/13/2013	1001	12/20/2012	45	Fuel
19956	2/13/2013	1001	12/21/2012	19	Fixaflat, Gas
19956	2/13/2013	1001	12/22/2012	41	Gas
19956	2/13/2013	1001	12/23/2012	50	Gas, Propane
19956	2/13/2013	1001	12/24/2012	28	Gas
19956	2/13/2013	1001	12/26/2012	50	Gas
19956	2/13/2013	1001	12/27/2012	51	Gas
19956	2/13/2013	1001	12/28/2012	26	Fuel, Batteries
19956	2/13/2013	1001	12/29/2012	28	Gas
19956	2/13/2013	1001	12/30/2012	28	Gas, Oil
				\$1,011	

Warrant 19956 for the above charges were signed by Village Fiscal Officer Sheri Watson in the amount of \$1,011.

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The following 23 purchase receipts totaling \$1,025 for gas, antifreeze, fluids, oil, batteries, cigarettes and chips which were unsigned, and there was not documentation provided to determine the purchaser or proper public purpose. Invoices were provided by the vendor:

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19956	2/13/2013	1001	12/5/2012	\$60	Gas
19956	2/13/2013	1001	12/9/2012	39	Gas, antifreeze
19956	2/13/2013	1001	12/9/2012	45	Gas
19956	2/13/2013	1001	12/31/2012	30	Gas
19956	2/13/2013	1001	12/31/2012	4	Fuel
19995	5/8/2013	1038	1/30/2013	38	Gas
					Gas, Oil, Power
19995	5/8/2013	1038	2/1/2013	66	Steering Fluid
19995	5/8/2013	1038	2/2/2013	43	Gas
19995	5/8/2013	1038	2/3/2013	47	Gas
19995	5/8/2013	1038	2/4/2013	42	Fuel, Batteries
19995	5/8/2013	1038	2/13/2013	61	Gas
19995	5/8/2013	1038	2/13/2013	51	Gas
19995	5/8/2013	1038	2/5/2013	28	Gas
19995	5/8/2013	1038	2/6/2013	44	Gas
19995	5/8/2013	1038	2/7/2013	47	Gas
19995	5/8/2013	1038	2/8/2013	46	Gas
19995	5/8/2013	1038	2/9/2013	51	Gas
					Gas, Starting
19995	5/8/2013	1038	2/11/2013	52	Fluid
19995	5/8/2013	1038	2/15/2013	60	Gas, Cigarettes
19995	5/8/2013	1038	2/17/2013	40	Gas
19995	5/8/2013	1038	2/18/2013	50	Gas
19995	5/8/2013	1038	2/20/2013	46	Gas, Diesel
19995	5/8/2013	1038	2/22/2013	35	Gas, Chips
				<u>\$1,025</u>	

Warrant 19956 for the above charges was signed by the Village Fiscal Officer Sheri Watson in the amount of \$178. Warrant 19995 for the above charges were signed by Village Fiscal Officer Jenna Parker in the amount of \$847.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following:

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- James R. Robinson in favor of the Village of Martinsville in the amount of \$1,011 to the Village of Martinsville's General Fund.
- Sheri Watson, who served as Village Fiscal Officer and issued the Warrant 19956 resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally, in the amount of \$178 to the Village of Martinsville's General Fund.
- Jenna Parker, who served as Village Fiscal Officer and issued the Warrant 19995 resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable in the amount of \$847 to the Village of Martinsville's General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

Accordingly, a Finding for Recovery is hereby issued against the following:

- Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally, in the amount of \$1,011 and in favor of the Village of Martinsville.
- Luke Mountjoy, the only duly elected Council Member of the Village who authorized by signature on the checks resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally liable, in the amount of \$2,036 and in favor of the Village of Martinsville.

James R. Robinson was sentenced on June 12, 2014 to a charge for theft in office among other charges and ordered to pay restitution in the amount of \$28,701 to the Village of Martinsville. Sheri Watson was sentenced on March 2, 2015 to a charge of theft in office among another charge and ordered to pay restitution in the amount of \$14,565 to the Village of Martinsville. Invoice number 1038 noted above was included in these charges.

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**KOI Auto Parts**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

All purchases made from KOI Auto Parts during the first half of 2013 were tested, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows.

- We noted the following three purchases totaling \$230 charged by James R. Robinson in 2013 for parts for the Village. There was no detailed description of items that were purchased.

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19928	1/9/2013	280570	12/26/2012	\$202	Parts for Village; No detailed invoice
19928	1/9/2013	280709	12/29/2012	15	Parts for Village; No detailed invoice
19928	1/9/2013	280763	12/31/2012	13	Parts for Village; No detailed invoice
				\$230	

Warrants for \$230 of the above charges were signed by Former Village Fiscal Officer Sheri Watson and Rayetta Robinson, appointed Council Member.

- We noted the following two purchases totaling \$210 were not signed, and there was no documentation provided to determine the purchaser or proper public purpose. Invoices were provided by the vendor:

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<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19962	2/13/2013	282153	1/26/2013	\$163	Parts for Village; No detailed Invoice
19962	2/13/2013	282263	1/29/2013	47	Parts for Village; No detailed Invoice
				\$210	

The warrant for the above charges was signed by Former Village Fiscal Officer Sheri Watson and Council Member Luke Mountjoy.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following:

- James R. Robinson in favor of the Village of Martinsville in the amount of \$230 to the Village of Martinsville’s General Fund.
- Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$210 to the Village of Martinsville’s General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

Accordingly, a Finding for Recovery is hereby issued against the following:

- Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$230 to the Village of Martinsville’s General Fund.

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- Luke Mountjoy, Council Member of the Village and authorized by signature of the voucher listing resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally liable, in the amount of \$210 to the Village of Martinsville's General Fund.
- Rayetta Robinson, who served as Council Member of the Village and signed check number 19928 resulting in the finding, will be jointly and severally liable, in the amount of \$230 to the Village of Martinsville's General Fund.

James R. Robinson was sentenced on June 12, 2014 to a charge for theft in office among other charges and ordered to pay restitution in the amount of \$28,701 to the Village of Martinsville. Sheri Watson was sentenced on March 2, 2015 to a charge of theft in office among another charge and ordered to pay restitution in the amount of \$14,565 to the Village of Martinsville. Rayetta Robinson was sentenced on January 5, 2015 to a charge of theft in office amount other charges and ordered to pay restitution in the amount of \$49,649 to the Village of Martinsville. All of the invoices noted above were included in these charges.

### **Lowes Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

All purchases made from Lowe's and paid during the first half of 2013 were tested, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose.

A description of the 2013 charges and payments follows:

The following purchases totaling \$1,063 were charged by James R. Robinson in 2012 and 2013 for the following items, including, but not limited to, tools, materials, supplies, batteries, Gatorade and candy:

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<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19929	1/9/2013	926104	12/4/2012	\$55	Sierra Mist; Orange Blast; GM Single Cut; #68 Schlage Key; #66 Kwikset Key; Reusable Shopping Bag; 1X4 Medium Arkansas Stone; Tropical Oasis; Clorox Disinfectant Wipes; Snickers; Key Retriever; Magnetic Key Holder; Energizer Ultimate AA Lithium batteries; ASG Quarter Work Sock; Sharpie Pen
19929	1/9/2013	912773	12/17/2012	\$114	Butane Refill; Coast PX\$% Twst; Fcsng LED; Energizer Ultimate AA Lithium Batteries; Duracell Ultra AAA 4 Pack Batteries; Butane; Passenger Seat mobile; OFF 3/8X1/2 HOS B-MIP AD; A-3; AV#8 Clamp 2-Pack; Drp Comp Coup 1/4X3/8; LF – 3/8ID BarbX3/8MIP Ad; Gunk .5Oz Silicone Grease; 1/4' ODX 10' Utility; 3/8" ID Vinyl Tubing
19929	1/9/2013	926351	12/23/2012	\$143	Nite-Ize AA Led Upgrade; Doritos; Kobalt 4.5' Mini Diapler; Wood Handle; M & M Peanut; Maglite 2AA Flashlight; SS Tulip Knob Project; Foam Gaps and Crack; Quicki Rough Scrub Brush; 1 Bonaire 12v Inflator; Nite-Ize AA Led Upgrade; Pepsi; White Alex Fast Dry; WPG 4ft Hose and Adaptor; Speedfit Utility Glove XL; 5 Gal Lowe's Bucket; TF 4' Curved Jaw Locking
19929	1/9/2013	926668	11/29/2012	\$77	Energizer AAA Lithium Batteries; Kbtl 24 pc Rt Angle Bit; Cell Phone Holder; Gerber Paraframe 1 knife; Mx Fast Fit Glove XL; Up

19929	1/9/2013	912142	12/11/2012	\$26	Charge It USB Universal; Drp Comp Coup 14X12 A19; M&M Peanut; Gatorade
19960	2/13/2013	930702	1/13/2013	\$85	Energizer Ultimate AA Lithium Batteries; Pepsi; Gatorade; Snickers; LF – 1/4X1/2 Comp 1/4” ODX 10’ Utility
19960	2/13/2013	926598	1/19/2013	\$212	Sentry 0.5 Cu. Ft. Security; M&M Peanuts; Gatorade; Energizer Ultimate AA Lithium Batteries; Kobalt 4.5” Did/Plier
19960	2/13/13	909957	12/29/2012	\$33	Master Lock; 1/2” X 260” Gas Thread; Kobalt 3 Piece Multi Saw; Duracell Ultra AAA 4 Piece Batteries; Dgerber Paraframe 1 knife; Yellow/Blk Boot Size 11; 1/2” Black Iron Plug; Yellow PVC Rainsuit; Kobalt Air Tank; Energizer Ultimate AA Lithium Batteries
19960	1/11/2013	926426	1/11/2013	\$62	Gatorade; Drano Crystal Drain; 10 pk Nitrile Gloves; 1.2” HOS Barb- MIP ADP; LF-1/4 X 1/2 Comp Coupler; #8 Clamp 2 pack; DRP 1/2ID BrX 1/2M ADT; 64 ct Blue Shop Towels; 1/2” Galv Tee; 1/2 ID” Vinyl Tubing
19981	5/8/2013	926834	2/1/2013	\$93	CHD Maflite; Bostitch Spring Steel Wire; Vaughan 15” Superbar; 1/4” ODX10’ Utility; 2lb Roebic HD Drain Removal; Lowe’s Reusable Shopping Bag
19981	5/8/2013	926311	2/4/2013	\$49	No detailed invoice
19981	5/8/2013	926075	2/11/2013	\$58	No detailed invoice
19981	5/8/2013	907473	2/15/2013	\$56	No detailed invoice
				<u>\$1,063</u>	

Warrants 19929 and 19960 were signed by Village Fiscal Officer Sheri Watson in the amount of \$807.

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Warrant 19981 was signed by Village Fiscal Officer Jenna Parker in the amount of \$256. Warrant 19929 was also signed by appointed Council Member Rayetta Robinson. Warrants 19960 and 19981 were also signed by duly elected Council Member Luke Mountjoy.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the following:

- James R. Robinson in favor of the Village of Martinsville in the amount of \$1,063 to the Village's General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

Accordingly, a Finding for Recovery is hereby issued against the following:

- Sheri Watson, who served as Village Fiscal Officer and issued the checks 19929 and 19960 resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally, in the amount of \$807 and in favor of the Village of Martinsville's General Fund.
- Jenna Parker, who served as Village Fiscal Officer and issued check 19981 resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$256 and in favor of the Village of Martinsville's General Fund.
- Luke Mountjoy, who was the only duly elected Council Member of the Village and who signed checks 19960 and 19981 resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally, in the amount of \$648 and in favor of the Village of Martinsville's General Fund.

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- Rayetta Robinson, who served as Council member of the Village and signed check number 19929 resulting in the finding, will be jointly and severally liable, in the amount of \$415 to the Village of Martinsville's General Fund.

James R. Robinson was sentenced on June 12, 2014 to a charge for theft in office among other charges and ordered to pay restitution in the amount of \$28,701 to the Village of Martinsville. Sheri Watson was sentenced on March 2, 2015 to a charge of theft in office among another charge and ordered to pay restitution in the amount of \$14,565 to the Village of Martinsville. Rayetta Robinson was sentenced on January 5, 2015 to a charge of theft in office amount other charges and ordered to pay restitution in the amount of \$49,649 to the Village of Martinsville. Invoice numbers 926104, 912773, 926351, 926668, 912142, 930702, 926598, and 926426 noted above were included in these charges.

### **Staples Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

All purchases made from Staples and paid during the first half of 2013 were tested, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows:

<u>Check Number</u>	<u>Check Date</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19925	1/9/2013	11/30/12	\$349	No detailed invoice

The warrant for the above charges were signed by Former Village Fiscal Officer Sheri Watson and Rayetta Robinson, appointed Council Member.

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In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Sheri Watson, Former Village Fiscal Officer and the Cincinnati Insurance Company, her bonding company, jointly and severally, in favor of the Village of Martinsville in the amount of \$349 to the Village's General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

Accordingly a Finding for Recovery is hereby issued against Rayetta Robinson, who served as a Council Member of the Village and signed check number 19925 resulting in the finding, will be jointly and severally liable, in the amount of \$349 to the Village of Martinsville's General Fund.

### **Tractor Supply Company**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

All purchases made from Tractor Supply Company (TSC) and paid during the first half of 2013 were tested, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose.

- The following purchases totaling \$268 were charged by James R. Robinson in 2012 for the following items, including, but not limited to clothing, boots, materials, supplies, batteries, and soda.

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19959	2/13/2013	200139513	12/22/201 2	\$4	SS Waterproofer
19959	2/13/2013	200139513	12/22/201 2	14	9 oz Roebic HD Crystal Draino
19959	2/13/2013	200139513	12/22/201 2	93	Boot Mens 10W Tan 8 in
19959	2/13/2013	200139513	12/22/201 2	11	264 Energizer E2 AA-4 Lithium Batteries
19959	2/13/2013	200139513	12/22/201 2	8	Energizer Advanced Lithium Batteries
19959	2/13/2013	200139513	12/22/201 2	8	Quick Flick Knife Model 5
19959	2/13/2013	200139513	12/22/201 2	36	Carhartt Logo Sweatshirt 3X
19959	2/13/2013	200139513	12/22/201 2	7	Hat Knt OFA BK CT39
19959	2/13/2013	200139513	12/22/201 2	85	Boot Mens 10W Tan 6 in
19959	2/13/2013	200139513	12/22/201 2	2	Cherry Coke
				<u>\$268</u>	

Warrant 19959 for the above charges was signed by Village Fiscal Officer Sheri Watson and Luke Mountjoy, Council Member.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against James R. Robinson in favor of the Village of Martinsville in the amount of \$268 and to the Village of Martinsville's General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently

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obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

Accordingly, a Finding for Recovery is hereby issued against the following:

- Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$268 and in favor of the Village of Martinsville's General Fund.
- Luke Mountjoy, Council Member of the Village and signed the check resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally liable, in the amount of \$268 and in favor of the Village of Martinsville's General Fund.

**Ohio Rev. Code, §2921.42(H)**, provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

Ohio Ethics Advisory Opinion 2010-03 (1) Division (A)(1) of Section 2921.42 of the Ohio Rev.Code provides that no public official shall knowingly "authorize or employ the authority or influence of" the official's office to secure authorization of the employment of a family member; (2) Divisions (D) and (E) of Section 102.03 of the Ohio Revised Code prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits, for their family members; (3) Public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.

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State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Contrary to Advisory Opinion 2010-03 and ORC 2921.42, the Village Council hired James R. Robinson, son and grandson of improperly appointed Council Members Rayetta and Carole Robinson. James R. Robinson’s address in the Village’s records indicates that he lives in the same household (using the same address) as Rayetta Robinson, James R. Robinson did not fill out timecards. His payroll was called in to the clerk by Rayetta Robinson. James R. Robinson was paid a total of \$3,174 for the audit period for unsubstantiated work.

The warrants for the above charges were signed by Village Fiscal Officer Sheri Watson. Check number 19919 was also signed by Rayetta Robinson. Check number 19941 was also signed by Luke Mountjoy.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against James R. Robinson in favor of the Village of Martinsville’s Water Revenue Fund in the amount of \$3,174.

### **Village Employee**

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

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Accordingly, a Finding for Recovery is hereby issued against the following:

- Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$3,174 and in favor of the Village of Martinsville's Water Revenue Fund.
- Luke Mountjoy, the only duly elected Council Member of the Village and signed check number 19941 resulting in the finding, and the Village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally liable, in the amount of \$1,599 and in favor of the Village of Martinsville's Water Revenue Fund.
- Rayetta Robinson, who served as Council Member of the Village and signed check number 19919 resulting in the finding, will be jointly and severally liable, in the amount of \$1,575 and in favor of the Village of Martinsville's Water Revenue Fund.

We recommend that the Village Officials cease their practices of hiring or relatives and making purchases without auction or bidding from the Village. This will be referred to the Ohio Ethics Commission.

### **Payroll Adjustment**

Ohio Rev. Code, Section 5705.10, states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, such monies shall only be used for the purpose for which such funds are established. Time spent should be carefully documented and verified as eligible for payment on the fund from which it is drawn. If circumstances are such that it is impossible to prorate employees' time, then none of their compensation may be paid from a fund other than the General Fund.

Failure to adequately document time could result in restricted funds paying for work that is not within the restrictions placed on the funds.

The Village did not maintain adequate documentation to prorate the amount of time spent performing duties in the Water functions of the Village. We identified payroll and related expenditures totaling \$10,859 in 2013 that did not have adequate support to prorate amounts to the enterprise funds. Lack of proper documentation of expenditures can lead to negative fund balances and misstatement of fund balances.

We recommend that the Village implement controls to ensure that all expenditures have been properly documented and verified to ensure that the expenditures are made from the proper fund.

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In accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$10,859 against the Village of Martinsville Water Fund and in favor of the Village of Martinsville General Fund in the amount of \$10,859.

### **Internet Reimbursements**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We noted 2 payments totaling \$50 to Carole Robinson for internet reimbursement during 2013. There was no supporting documentation provided. All reimbursements require supporting documentation to show the purpose of the expenditure and ensure the proper amount is paid from the proper funds.

Warrant 19934 for the above payment was signed by the Former Village Fiscal Officer Sheri Watson and Rayetta Robinson, appointed Council Member. Warrant 19947 for the above payment was signed by the Former Village Fiscal Officer Sheri Watson and Luke Mountjoy, Council Member.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Carole Robinson for \$50 in favor of the Village of Martinsville’s General Fund.

Under Ohio Law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such an illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1908 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.38; State ex. Rel. Village of Masten, 18 Ohio St. 3D 228 (1985). Public officials who have control over public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost, or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. 80-074.

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Accordingly, a Finding for Recovery is hereby issued against the following:

Sheri Watson, who served as Village Fiscal Officer and issued the checks resulting in the finding, and her bonding company, The Cincinnati Insurance Company, will be jointly and severally liable, in the amount of \$50 and in favor of the Village of Martinsville's General Fund.

Luke Mountjoy, the only duly elected Council Member of the Village who signed check number 19947 resulting in the finding, and the Village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severally liable, in the amount of \$25 and in favor of the Village of Martinsville's General Fund.

Rayetta Robinson, who served as Council Member of the Village and signed check number 19934 resulting in the finding, will be jointly and severally liable, in the amount of \$25 and in favor of the Village of Martinsville's General Fund.

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

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

Dave Yost  
Auditor of State

September 15, 2016

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

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## INDEPENDENT AUDITOR'S REPORT

January 22, 2016

Village of Martinsville  
Clinton County  
PO Box 177  
Martinsville, OH 45146

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type, and related notes of the **Village of Martinsville**, Clinton County (the Village) as of and for the years ended 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 Section 117.38 and Ohio Administrative Code Section 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. We audited 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*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***... "bringing more to the table"***

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* and *Unmodified Opinion* paragraphs below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

We are unable to obtain sufficient evidence to support the completeness of the Water and Refuse Revenue Funds Charges for Services receipts for 2014 and 2013 comprising 99.9% and 98.6%, respectively, of operating receipts in the Enterprise Fund Type, nor were we able to satisfy ourselves as to the completeness of these receipts by other auditing procedures. In addition, we were unable to obtain sufficient evidence to support the completeness of the Water Deposit Fund balance at December 31, 2014 and 2013, comprising 38.42% and 25.12%, respectively, of the Enterprise Fund Type fund balance.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Enterprise Funds of the Village of Martinsville, Clinton County as of December 31, 2014 and 2013, and the respective combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Unmodified Opinion***

In our opinion, the financial statements present fairly, in all material respects, the combined cash balances of the General Fund and Special Revenue Funds of the Village of Martinsville, Clinton County, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 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 "Perry & Associates CPAs A.C." in a cursive script.

**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 10,889	\$ 3,193	\$ 14,082
Intergovernmental	11,220	13,932	25,152
Special Assessments	-	7,472	7,472
Earnings on Investments	9	-	9
Miscellaneous	32,432	-	32,432
	<u>54,550</u>	<u>24,597</u>	<u>79,147</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	-	7,685	7,685
Transportation	-	6,788	6,788
General Government	25,733	-	25,733
	<u>25,733</u>	<u>14,473</u>	<u>40,206</u>
<i>Total Cash Disbursements</i>			
	<u>28,817</u>	<u>10,124</u>	<u>38,941</u>
<i>Excess of Receipts Over Disbursements</i>			
	<u>(57,885)</u>	<u>46,843</u>	<u>(11,042)</u>
<i>Fund Cash Balances, January 1</i>			
<b>Fund Cash Balances, December 31</b>			
Restricted	-	55,568	55,568
Unassigned (Deficit)	(29,068)	-	(29,068)
	<u>(29,068)</u>	<u>56,967</u>	<u>27,899</u>
<i>Fund Cash Balances, December 31</i>			
	<u><b>\$ (29,068)</b></u>	<u><b>\$ 56,967</b></u>	<u><b>\$ 27,899</b></u>

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

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Enterprise</b>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 148,257
Miscellaneous	165
<i>Total Operating Cash Receipts</i>	<i>148,422</i>
<b>Operating Cash Disbursements</b>	
Employee Fringe Benefits	18,866
Contractual Services	115,744
Supplies and Materials	25,047
<i>Total Operating Cash Disbursements</i>	<i>159,657</i>
<i>Operating (Loss)</i>	<i>(11,235)</i>
<i>Fund Cash Balances, January 1</i>	<i>58,014</i>
<i>Fund Cash Balances, December 31</i>	<b><i>\$ 46,779</i></b>

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

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 10,725	\$ 9,676	\$ 20,401
Intergovernmental	12,403	10,606	23,009
Special Assessments	-	6,892	6,892
Fines, Licenses and Permits	3,327	-	3,327
Earnings on Investments	10	-	10
Miscellaneous	1,595	-	1,595
	<u>28,060</u>	<u>27,174</u>	<u>55,234</u>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	-	7,005	7,005
Transportation	-	7,525	7,525
General Government	52,714	-	52,714
	<u>52,714</u>	<u>14,530</u>	<u>67,244</u>
<i>Total Cash Disbursements</i>			
	<u>(24,654)</u>	<u>12,644</u>	<u>(12,010)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>			
	<u>(33,231)</u>	<u>34,199</u>	<u>968</u>
<i>Fund Cash Balances, January 1 (Restated - see Note 11)</i>			
<b>Fund Cash Balances, December 31</b>			
Restricted	-	46,843	46,843
Unassigned (Deficit)	(57,885)	-	(57,885)
	<u>(57,885)</u>	<u>46,843</u>	<u>(11,042)</u>
<i>Fund Cash Balances, December 31</i>	<u><b>\$ (57,885)</b></u>	<u><b>\$ 46,843</b></u>	<u><b>\$ (11,042)</b></u>

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

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 129,439
Miscellaneous	<u>1,833</u>
<i>Total Operating Cash Receipts</i>	<u>131,272</u>
<b>Operating Cash Disbursements</b>	
Employee Fringe Benefits	5,542
Contractual Services	91,120
Supplies and Materials	<u>26,297</u>
<i>Total Operating Cash Disbursements</i>	<u>122,959</u>
<i>Operating Income</i>	<u>8,313</u>
<i>Fund Cash Balances, January 1 (Restated - see Note 11)</i>	<u>49,701</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 58,014</u></u>

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

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 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 Martinsville, Clinton County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, street maintenance and water utilities. The Village contracts with the Clinton County Sheriff's department to provide police protection services. Fire protection is provided by the Clark Township Volunteer Fire Department.

The Village participates in a jointly governed organization and the Public Entities Pool of Ohio public entity risk pool. Notes 6 and 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Public Entities Pool of Ohio – provides the Village with liability and property insurance coverage.

Jointly Governed Organization:

Clinton County Regional Planning Commission – formulates and reviews plans affecting long and short term social, economic, and governmental development within the region which includes the Village.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Deposits and Investments**

The Village deposits all available funds in an interest bearing checking account at a local commercial bank.

**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:

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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

Street Lighting Fund – This fund received special assessment money for maintaining and repairing the Village street lights.

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

Refuse Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

**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. The Village Council must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2014	2013	
Demand deposits	\$ 63,648	\$ 35,942	
Total deposits	\$ 63,648	\$ 35,942	

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

**3. 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	\$ 25,220	\$ 54,550	\$ 29,330
Special Revenue	16,800	24,597	7,797
Enterprise	114,500	148,422	33,922
Total	\$ 156,520	\$ 227,569	\$ 71,049

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,607	\$ 25,733	\$ (3,126)
Special Revenue	27,841	14,124	13,717
Enterprise	113,025	159,657	(46,632)
Total	\$ 163,473	\$ 199,514	\$ (36,041)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,397	\$ 28,060	\$ 663
Special Revenue	23,487	27,174	3,687
Enterprise	127,992	131,272	3,280
Total	\$ 178,876	\$ 186,506	\$ 7,630

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 35,260	\$ 51,059	\$ (15,799)
Special Revenue	37,076	14,530	22,546
Enterprise	139,483	124,614	14,869
Total	\$ 211,819	\$ 190,203	\$ 21,616

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the General and Water Operating Funds in the years ended December 31, 2014 and 2013. The General Fund had appropriations which exceeded estimated resources for the years ended December 31, 2014 and 2013.

**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.

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

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2014.

**6. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Services, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year membership.

<b>Contributions to PEP</b>	
<b>2014</b>	<b>2013</b>
<b>\$4,646</b>	<b>\$1,370</b>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. Related Party Transactions**

The following related party transactions occurred during 2014 and 2013:

- Luke Mountjoy, Council Member, appointed Carol Mountjoy (his mother) to Council.
- Carole Robinson (appointed to Council, then elected as Council President) and Rayetta Robinson (appointed Mayor) hired James R. Robinson, grandson and son, respectively, who lived with them.

**8. Jointly Governed Organizations**

The constitution and laws of the State of Ohio establish the right and privileges for the Clinton County Regional Planning Commission, Clinton County, Ohio (the Commission), as a body corporate and politic. An appointed 13 member Board governs the Commission. The Board consists of representatives from participating political subdivisions, the county commissioners, and appointed citizens. The Commission formulates and reviews plans affecting long and short term social, economic, and governmental development within the region. The participating subdivisions are:

Clinton County	Village of Midland	Village of Clarksville	Union Township
City of Wilmington	Village of Blanchester	Village of Sabina	
Village of Martinsville	Village of Port William	Village of New Vienna	

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

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

**9. Compliance**

The Village did not comply with Ohio Administrative Code Sections 117-2-1 and 117-2-2 and Ohio Revised Code Section 733.28 in that they did not implement a system of internal controls and accurately record all financial activity of the Village.

**10. Subsequent Events**

- Partial restitution has been made for the Finding for Recoveries issued in the prior audit report.
- The Village had an outstanding balance with Highland County Water in the amount of \$81,988 as of December 31, 2014. The Village reached an agreement with Highland County Water to return all equipment and the Village's entire outstanding balance was forgiven as of March 15, 2015.
- The Village had an outstanding balance with the Auditor of State in the amount of \$12,836 as of January 22, 2016

**11. Restatement of Prior Period Fund Balances**

The restatements of the General, Special Revenue, and Enterprise Fund balances were due to adjustments from the prior audit period due to Findings for Recovery and Findings for Adjustment issued in 2014.

	Fund Balance at December 31, 2012	Prior Period Adjustments	Adjusted Fund Balance at December 31, 2012
General	\$10,264	(\$43,495)	(\$33,231)
Special Revenue	\$18,918	\$15,281	\$34,199
Enterprise	\$21,487	\$28,214	\$49,701



428 Second St.  
Marietta, OH 45750  
740.373.0056

1035 Murdoch Ave.  
Parkersburg, WV 26101  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

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

January 22, 2016

Village of Martinsville  
Clinton County  
PO Box 177  
Martinsville, OH 45146

To the Village Council:

We have audited 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 Martinsville**, Clinton County (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 January 22, 2016, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on the Proprietary Funds for charges for services and fund balances for 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2014-001 through 2014-005 and 2014-008, 2014-010 through 2014-012, 2014-014, and 2014-016 described in the accompanying schedule of audit findings to be material weaknesses.



**... "bringing more to the table"**

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll  
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



### **Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-013 described in the accompanying schedule of audit findings to be a significant deficiency.

### **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 audit findings as items 2014-001 through 2014-012, 2014-014 through 2014-016.

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Material Weakness/Noncompliance – Brown’s Distributing Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgement of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Prior to beginning audit work for the 2012 – 2011 audit period, the Auditor of State’s office received information from a concerned citizen of the Village that various Village employees were purchasing items from Brown’s Distributing, Inc. on the Village’s charge account. These purchases included gasoline, motor oil, and other miscellaneous items that were not consistent with the type and quantity of services being provided by the Village. Additionally, the Auditor of State’s office was informed that during the audit period, the Village did not own any functioning vehicles.

We tested all purchases made from Brown’s Distributing, Inc. and paid for during the first half of 2013, and identified the expenditures lacking sufficient supporting documentation. There were charges showing on the statements for which there was no signatory on the charge receipt nor was there sufficient documentation provided to support the expenditures to be paid for by the Village. The description of the 2013 charges and payments follows:

- The following 27 purchases totaling \$1,011 were charged by James R. Robinson in 2013 for gas, fuel, batteries, and oil that were claimed to have been purchased on behalf of the Village, but no supporting mileage log or detailed invoices were provided for audit by the village.

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19956	2/13/2013	1001	12/1/2012	\$19	Gas
19956	2/13/2013	1001	12/2/2012	40	Gas
19956	2/13/2013	1001	11/24/2012	24	Gas
19956	2/13/2013	1001	12/4/2012	39	Gas
19956	2/13/2013	1001	12/16/2012	56	Fuel misc. heat, oil
19956	2/13/2013	1001	12/17/2012	52	Gas
19956	2/13/2013	1001	12/7/2012	68	Fuel, Batteries
19956	2/13/2013	1001	12/12/2012	29	Gas
19956	2/13/2013	1001	12/12/2012	26	Gas
19956	2/13/2013	1001	12/13/2012	71	Gas
19956	2/13/2013	1001	12/13/2012	37	Gas

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING 2014-001 (Continued)**

**Material Weakness/Noncompliance – Brown’s Distributing Expenditures (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19956	2/13/2013	1001	12/17/2012	\$40	Gas
19956	2/13/2013	1001	12/14/2012	23	Gas
19956	2/13/2013	1001	12/15/2012	37	Gas
19956	2/13/2013	1001	12/16/2012	15	Fuel
19956	2/13/2013	1001	12/18/2012	29	Gas
19956	2/13/2013	1001	12/19/2012	40	Gas
19956	2/13/2013	1001	12/20/2012	45	Fuel
19956	2/13/2013	1001	12/21/2012	19	Fixafat, Gas
19956	2/13/2013	1001	12/22/2012	41	Gas
19956	2/13/2013	1001	12/23/2012	50	Gas, Propane
19956	2/13/2013	1001	12/24/2012	28	Gas
19956	2/13/2013	1001	12/26/2012	50	Gas
19956	2/13/2013	1001	12/27/2012	51	Gas
19956	2/13/2013	1001	12/28/2021	26	Fuel, Batteries
19956	2/13/2013	1001	12/29/2012	28	Gas
19956	2/13/2013	1001	12/30/2012	28	Gas, Oil
				\$1,011	

Warrant 19956 for the above charges was signed by Village Fiscal Officer Sheri Watson.

- The following 23 purchase receipts totaling \$1,025 for gas and antifreeze were not signed, and there was no documentation provided to determine the purchaser or proper public purpose. Invoices were provided by the vendor:

19956	2/13/2013	1001	12/5/2012	\$60	Gas
19956	2/13/2013	1001	12/9/2012	39	Gas, Antifreeze
19956	2/13/2013	1001	12/9/2012	45	Gas
19956	2/13/2013	1001	12/31/2012	30	Gas
19956	2/13/2013	1001	12/31/2012	4	Fuel
19956	5/8/2013	1038	1/30/2013	38	Gas
19956	5/8/2013	1038	2/1/2013	66	Gas, Oil, PS Fluid
19956	5/8/2013	1038	2/2/2013	43	Gas
19956	5/8/2013	1038	2/3/2013	47	Gas
19956	5/8/2013	1038	2/4/2013	42	Fuel, Batteries

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING 2014-001 (Continued)**

**Material Weakness/Noncompliance – Brown’s Distributing Expenditures (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19995	5/8/2013	1038	2/13/2013	\$61	Gas
19995	5/8/2013	1038	2/13/2013	51	Gas
19956	5/8/2013	1038	2/5/2013	28	Gas
19956	5/8/2013	1038	2/6/2013	44	Gas
19956	5/8/2013	1038	2/7/2013	47	Gas
19956	5/8/2013	1038	2/8/2013	46	Gas
19956	5/8/2013	1038	2/9/2013	51	Gas
19956	5/8/2013	1038	2/11/2013	52	Gas, Starting Fluid
19995	5/8/2013	1038	2/15/2013	60	Gas, Cigarettes
19995	5/8/2013	1038	2/17/2013	40	Gas
19995	5/8/2013	1038	2/18/2013	50	Gas
19995	5/8/2013	1038	2/20/2013	46	Gas, Diesel
19995	5/8/2013	1038	2/22/2013	35	Gas, Chips
				\$1,025	

Warrant 19956 for the above charges was signed by the Village Fiscal Officer Sheri Watson. Warrant 19995 for the above charges was signed by the Village Fiscal Officer Jenna Parker.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as indication of their review and approval for the expenditures identified.

**Management’s Response** – Current Process: Receipts have to be signed by recipient and stating what the items are for.

**FINDING 2014-002**

**Material Weakness/Noncompliance – KOI Auto Parts Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgement of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING 2014-002 (Continued)**

**Material Weakness/Noncompliance – KOI Auto Parts Expenditures (Continued)**

We tested all purchases made from KOI Auto Parts during the first half of 2013, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows:

- We noted the following 3 purchases totaling \$230 charged by James R. Robinson in 2013 for parts for Village. There was no detailed description of items that were purchased.

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19928	1/9/2013	280570	1/1/2013	\$202	Parts for Village; No detailed Invoice
19928	1/9/2013	280709	1/1/2013	15	Parts for Village; No detailed Invoice
19928	1/9/2013	280763	1/1/2013	13	Parts for Village; No detailed Invoice
				<u>\$ 230</u>	

Warrants for \$230 of the above charges were signed by Village Fiscal Officer Sheri Watson.

- We noted the following 2 purchases totaling \$210 were not signed, and there was no documentation provided to determine the purchaser or proper public purpose. Invoices were provided by the vendor:

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19962	2/13/2013	282153	1/26/2013	\$163	Parts for Village; No detailed Invoice
19962	2/13/2013	252153	1/26/2013	47	Parts for Village; No detailed Invoice
				<u>\$210</u>	

Warrants for \$210 of the above charges were signed by Village Fiscal Officer Sheri Watson.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as an indication of their review and approval for the expenditures identified.

**Management’s Response** – The KOI account has been paid in full and closed.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING 2014-003**

**Material Weakness/Noncompliance – Lowes Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgement of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We tested all purchases made from Lowes and paid during the first half of 2013, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows:

- The following purchases totaling \$1,063 were charged by James R. Robinson in 2012 and 2013 for the following items, including, but not limited to tools, materials, supplies, batteries, Gatorade, soda and candy:

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19929	1/9/2013	926104	12/4/2012	\$55	Sierra Mist
19929	1/9/2013	926104	12/4/2012		Orange Blast
19929	1/9/2013	926104	12/4/2012		GM Single Cut
19929	1/9/2013	926104	12/4/2012		#68 Schlage Key
19929	1/9/2013	926104	12/4/2012		#66 Kwikset Key
19929	1/9/2013	926104	12/4/2012		Reusable shopping bag
					1 X 4 Medium
19929	1/9/2013	926104	12/4/2012		Arkansas Stone
19929	1/9/2013	926104	12/4/2012		Tropical Oasis
19929	1/9/2013	926104	12/4/2012		Clorox Dis Wipes
19929	1/9/2013	926104	12/4/2012		Snickers
19929	1/9/2013	926104	12/4/2012		Key Retriever
19929	1/9/2013	926104	12/4/2012		Magnetic Key Holder
					Energizer Ult AA
19929	1/9/2013	926104	12/4/2012		Lithium
					ASG Quarter Work
					Sock
19929	1/9/2013	926104	12/4/2012		Sharpie Pen

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING 2014-003 (Continued)**

**Material Weakness/Noncompliance – Lowes Expenditures (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19929	1/9/2013	912773	12/17/2012	\$114	Butane Refill
19929	1/9/2013	912773	12/17/2012		Coast PX\$% Twst
19929	1/9/2013	912773	12/17/2012		Fcsng LED
19929	1/9/2013	912773	12/17/2012		Energizer Ult AA
19929	1/9/2013	912773	12/17/2012		Lithium
19929	1/9/2013	912773	12/17/2012		Duracell Ultra AAA 4
19929	1/9/2013	912773	12/17/2012		Pk
19929	1/9/2013	912773	12/17/2012		Butane
19929	1/9/2013	912773	12/17/2012		Passenger Seat mobile
19929	1/9/2013	912773	12/17/2012		OFF
19929	1/9/2013	912773	12/17/2012		3/8X1/2HOS B-MIP AD
19929	1/9/2013	912773	12/17/2012		A-3
19929	1/9/2013	912773	12/17/2012		AV #8 Clamp 2-Pk
19929	1/9/2013	912773	12/17/2012		Drp Comp Coup
19929	1/9/2013	912773	12/17/2012		1/4X3/8
19929	1/9/2013	912773	12/17/2012		LF – 3/8ID
19929	1/9/2013	912773	12/17/2012		BarbX3/8MIP Ad
19929	1/9/2013	912773	12/17/2012		Gunk .5 Oz Silicone
19929	1/9/2013	912773	12/17/2012		Grease
19929	1/9/2013	912773	12/17/2012		¼' ODX10' Utility Cu
19929	1/9/2013	912773	12/17/2012		Coi
19929	1/9/2013	912773	12/17/2012		3/8" ID Vinyl Tubing
19929	1/9/2013	926351	12/23/2012	\$143	Nite-Ize AA Led
19929	1/9/2013	926351	12/23/2012		Upgrade
19929	1/9/2013	926351	12/23/2012		Doritos
19929	1/9/2013	926351	12/23/2012		Kobalt 4.5' Mini Diaplier
19929	1/9/2013	926351	12/23/2012		Wood Handle
19929	1/9/2013	926351	12/23/2012		M&M Peanut
19929	1/9/2013	926351	12/23/2012		Maglite 2AA Flashlight
19929	1/9/2013	926351	12/23/2012		SS Tulip Knob Project
19929	1/9/2013	926351	12/23/2012		Foam Gaps and Crack
19929	1/9/2013	926351	12/23/2012		Quicki Rough Scrub
19929	1/9/2013	926351	12/23/2012		Brush
19929	1/9/2013	926351	12/23/2012		1 Bonaire 12v Inflator
19929	1/9/2013	926351	12/23/2012		Nite-Ize AA Led
19929	1/9/2013	926351	12/23/2012		Upgrade
19929	1/9/2013	926351	12/23/2012		Pepsi
19929	1/9/2013	926351	12/23/2012		White Alex Fast Dry
19929	1/9/2013	926351	12/23/2012		WPG 4ft Hose and
19929	1/9/2013	926351	12/23/2012		Adaptor
19929	1/9/2013	926351	12/23/2012		Speedfit Utility Glove XI
19929	1/9/2013	926351	12/23/2012		5 Gal Lowe's Bucket
19929	1/9/2013	926351	12/23/2012		TF 4' Curved Jaw
19929	1/9/2013	926351	12/23/2012		Locking

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING 2014-003 (Continued)**

**Material Weakness/Noncompliance – Lowes Expenditures (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19929	1/9/2013	926668	11/29/2012	\$77	Energizer AAA Lithium
19929	1/9/2013	926668	11/29/2012		Kbtl 24pc Rt Angle Bit
19929	1/9/2013	926668	11/29/2012		Cell Phone Holder
					Gerber Paraframe 1
					knife
19929	1/9/2013	926668	11/29/2012		Mx Fast Fit Glove XL
19929	1/9/2013	926668	11/29/2012		Up Charge It USB
					Universal
19929	1/9/2013	926668	11/29/2012		Drp Comp Coup 14X12
					A19
					M&M Peanut, Gatorade
19929	1/9/2013	926668	11/29/2012		
					Energizer Ult AA
19929	1/9/2013	912142	12/11/2012	\$26	Lithium
19929	1/9/2013	912142	12/11/2012		Pepsi
19929	1/9/2013	912142	12/11/2012		Gatorade
19929	1/9/2013	912142	12/11/2012		Snickers
19929	1/9/2013	912142	12/11/2012		LF – 1/4X1/2 Comp
					1/4" ODX10' Utility Cu
					Coi
					Sentry 0.5 Cy. Ft.
19960	2/13/2013	930702	1/13/2013	\$85	Security
19960	2/13/2013	930702	1/13/2013		M&M Peanuts
19960	2/13/2013	930702	1/13/2013		Gatorade
					Energizer Ult AA
					Lithium
19960	2/13/2013	930702	1/13/2013		Kobalt 4.5" Did/Plier
19960	2/13/2013	930702	1/13/2013		
19960	2/13/2013	930702	1/13/2013		
19960	2/13/2013	926598	1/25/2013	\$212	Master Lock
19960	2/13/2013	926598	1/25/2013		1/2" X 260" Gas Thread
					Kobalt 3 Piece Multi
					Saw
19960	2/13/2013	926598	1/25/2013		Duracell ultra AAA 4 PI
19960	2/13/2013	926598	1/25/2013		Dgerber Paraframe 1
					knife
					Yellow/Blk Boot Size
					11
19960	2/13/2013	926598	1/25/2013		1/2" Black Iron Plug
19960	2/13/2013	926598	1/25/2013		Yellow PVC Rainsuit
19960	2/13/2013	926598	1/25/2013		Kobalt Air Tank
					Energizer Ult
19960	2/13/2013	926598	1/25/2013		AALithium

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING 2014-003 (Continued)**

**Material Weakness/Noncompliance – Lowes Expenditures (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19960	2/13/2013	909957	12/29/2012	\$33	Gatorade
19960	2/13/2013	909957	12/29/2012		Drano Crystal Drain
19960	2/13/2013	909957	12/29/2012		10pk Nitrile Gloves
					1.2" HOS Barb-MIP
19960	2/13/2013	909957	12/29/2012		ADP
					LF – 1/4X1/2 Comp
19960	2/13/2013	909957	12/29/2012		Coup
19960	2/13/2013	909957	12/29/2012		#8 Clamp 2 PK
					DRP 1/2ID BrX1/2M
19960	2/13/2013	909957	12/29/2012		ADT
19960	2/13/2013	909957	12/29/2012		64ct Blue Shop Towels
19960	2/13/2013	909957	12/29/2012		1/2" Galv Tee
19960	2/13/2013	909957	12/29/2012		1/2" ID Vinyl Tubing
19960	1/11/2013	926426	1/25/2013	\$62	C.H.D Maflite
					Bostitch Spring Steel
19960	1/11/2013	926426	1/25/2013		Wire
19960	1/11/2013	926426	1/25/2013		Vaughan 15" Superbar
19960	1/11/2013	926426	1/25/2013		1/4" ODX10' Utility
					2lb Roebic HD Drain
19960	1/11/2013	926426	1/25/2013		Removal
					Lowe's Reusable
19960	1/11/2013	926426	1/25/2013		Shopping
19981	5/8/2013	926834	2/1/2013	\$93	No detailed invoice
19981	5/8/2013	926311	2/4/2013	\$49	No detailed invoice
19981	5/8/2013	926075	2/11/2013	\$58	No detailed invoice
19981	5/8/2013	907473	2/15/2013	\$56	No detailed invoice
				<u>\$ 1,063</u>	

Warrants 19929 and 19960 for the above charges were signed by the Village Fiscal Officer Sheri Watson. Warrant 19981 for the above charges was signed by the Village Fiscal Officer Jenna Parker.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as an indication of their review and approval for the expenditures identified.

**Management's Response** – The Lowes account is paid in full and canceled.

VILLAGE OF MARTINSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-004

**Material Weakness/Noncompliance – Staples Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgement of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We tested all purchases made from Staples and paid during the first half of 2013, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows:

<u>Check Number</u>	<u>Check Date</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19925	1/9/2013	11/30/12	\$349	No Detailed Invoice

Warrant 19925 for the above charge was signed by the Village Fiscal Officer Sheri Watson.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as an indication of their review and approval for the expenditures identified.

**Management’s Response** – The Staples card has been cancelled.

FINDING NUMBER 2014-005

**Material Weakness/Noncompliance – Tractor Supply Company Expenditures**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rest with the judgement of the government entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-005 (Continued)**

**Material Weakness/Noncompliance – Tractor Supply Company Expenditures (Continued)**

We tested all purchases made from Tractor Supply Company (TSC) and paid during the first half of 2013, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2013 charges and payments follows:

- The following purchases totaling \$268 were charged by James R. Robinson in 2012 for the following items, including, but not limited to clothing, boots, materials, supplies, batteries, and soda:

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19959	2/13/2013	200139513	12/22/2012	\$4	SS Waterproofers 9oz
19959	2/13/2013	200139513	12/22/2012	\$14	Roebic HD Crystal Drain O
19959	2/13/2013	200139513	12/22/2012	\$93	Boot Mens 10W Tan 8in
19959	2/13/2013	200139513	12/22/2012	\$11	264 Energizer E2 AA-4 Lith
19959	2/13/2013	200139513	12/22/2012	\$8	Energizer Advanced Lithium
19959	2/13/2013	200139513	12/22/2012	\$8	Quick Flick Knife Model 5
19959	2/13/2013	200139513	12/22/2012	\$36	Carhartt Logo Sweatshirt 3x
19959	2/13/2013	200139513	12/22/2012	\$7	Hat Knt of BK CT39
19959	2/13/2013	200139513	12/22/2012	\$85	Boot Mens 10W Tan 6in
19959	2/13/2013	200139513	12/22/2012	\$2	Cherry Coke
				\$ 268	

Warrant 19959 for the above charge was signed by the Village Fiscal Officer Sheri Watson.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as an indication of their review and approval for the expenditures identified.

**Management's Response** - The Tractor Supply card has been paid in full and cancelled.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-006

**Noncompliance**

**Ohio Rev. Code, Section 2921.42(H)**, provides that any public contract in which a public official, a member of the public official's family, or any of the public official's business associates has an interest in violation of this section is void and unenforceable.

Ohio Ethics Advisory Opinion 2010-03 (1) Division (A)(1) of Section 2921.42 of the Ohio Rev.Code provides that no public official shall knowingly "authorize or employ the authority or influence of" the official's office to secure authorization of the employment of a family member; (2) Divisions (D) and (E) of Section 102.03 of the Ohio Revised Code prohibit public officials and employees from using or authorizing the use of their public positions to secure employment, or employment-related benefits, for their family members; (3) Public officials and employees cannot: (a) hire or use their positions to secure employment for their family members; (b) recommend or nominate their family members for public jobs with their own, or any other, public agencies; or (c) give to their family members, or solicit or use their positions to secure for their family members, raises, promotions, job advancements, overtime pay or assignments, favorable performance evaluations, or any other things of value related to their employment.

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Contrary to Advisory Opinion 2010-03 and ORC 2921.42, the Village Council hired James R. Robinson, son and grandson of improperly appointed Council Members Rayetta and Carol Robinson. James R. Robinson's address in the Village's records indicates that he lives in the same household (using the same address) as Rayetta Robinson. James R. Robinson did not fill out timecards. His payroll was called in to the clerk by Rayetta Robinson. James R. Robinson was paid a total of \$3,174 for the audit period for unsubstantiated work.

The warrants for the above charges were signed by Village Fiscal Officer Sheri Watson.

This matter will be referred to the Ohio Ethics Commission by the Auditor of State.

**Management's Response** – We received no response from officials to this finding.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-007**

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.10**, states, in part, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Furthermore, such monies shall only be used for the purpose for which such funds are established. Time spent should be carefully documented and verified as eligible for payment on the fund from which it is drawn. If circumstances are such that it is impossible to prorate employees' time, then none of their compensation may be paid from a fund other than the General Fund. Failure to adequately document time could result in restricted funds paying for work that is not within the restrictions placed on the funds.

The Village did not maintain adequate documentation to prorate the amount of time spent performing duties in the Street and Water functions of the Village. We identified payroll and related expenditures for James R. Robinson totaling \$3,174 in 2013 that did not have adequate support to prorate amounts to the Enterprise Fund. We identified payroll and related expenditures for Robert Dean, Bruce Gottschauk, and Patience Comberger totaling \$7,421, \$264, and \$600, respectively, that did not have adequate support to prorate amounts to the Street Construction, Maintenance, and Repair and Enterprise Funds.

Lack of proper documentation of expenditures can lead to negative fund balances and misstatement of fund balances. The financial statements reflect all adjustments.

We recommend that the Village implement controls to ensure that all expenditures have been properly documented and verified to ensure that the expenditures are made from the proper fund.

**Management's Response** – We received no response from officials to this finding.

**FINDING NUMBER 2014-008**

**Material Weakness/Noncompliance**

**Ohio Administrative Code Section 117-2-01**

- (A) All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.
- (B) "Internal control" means a process effected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
  - (1) Reliability of financial reporting;
  - (2) Effectiveness and efficiency of operations;
  - (3) Compliance with applicable laws and regulations; and
  - (4) Safeguarding of assets.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008 (Continued)**

**Material Weakness/Noncompliance (Continued)**

- (C) Internal control consists of the following five interrelated components:
  - (1) Control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
  - (2) Risk assessment, which is the entity's identification and analysis of relevant risks to the achievement of its objectives, forming a basis for determining how the risks should be managed.
  - (3) Control activities, which are policies and procedures that help ensure management directives are carried out.
  - (4) Information and communication, which are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
  - (5) Monitoring, which is a process that assesses the quality of internal control performance over time.
  
- (D) When designing the public office's system of internal control and the specific control activities, management should consider the following:
  - (1) Ensure that all transactions are properly authorized in accordance with management's policies.
  - (2) Ensure that accounting records are properly designed.
  - (3) Ensure adequate security of assets and records.
  - (4) Plan for adequate segregation of duties or compensating controls.
  - (5) Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
  - (6) Perform analytical procedures to determine the reasonableness of financial data.
  - (7) Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
  - (8) Monitor activities performed by service organizations.

The Village paid Uniform Accounting Network (UAN) fees, but did not use the software to record financial transactions. The Village recorded receipts, disbursements, and fund balances in a Cash Journal. Utility billings and receipts are completed in an Excel spreadsheet.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-008 (Continued)**

**Material Weakness/Noncompliance (Continued)**

The following conditions were noted:

- The small size of the Village does not allow for an adequate segregation of duties. The Fiscal Officer processes all the financial records keeping including receipting, posting, and reconciling to the depository. Bookkeeping errors occurred without the detection of management;
- Detailed, signed, and dated credit card and charge account receipts were not attached to monthly statements to document what items were purchased and by whom. Supporting documentation was not always attached to the voucher package to support the validity or purpose of expenditures. The Village does not have a policy in place for the use of credit cards or charge accounts. See finding 2014-001 through 2014-005;
- Payments were made for individuals for "Utility Work" without any documentation showing actual work performed or approval by Council to issue a contract. See finding 2014-007;
- The Village did not approve a contract with the Water Administrator which outlines the duties and rate of pay;
- Reimbursements were made to a Village official for internet service without any documentation for the actual services charged or record of approval by Council. See Finding 2014-006;
- Manual checks were issued even though the Village was supposed to be on the UAN system;
- Detailed timesheets were not prepared by hourly employees documenting hours/days worked and services provided. See finding 2014-007;
- The Village does not have controls in place to assure proper reporting or safeguarding of Village assets;
- Payroll transactions did not have adequate supporting documentation or evidence of review to ensure that employees were paid amounts from proper fund. See finding 2014-006 and 2014-007;
- The Village allowed public officials to have interest in contracts. See finding 2014-006.

It is, therefore, important that Council monitor financial activity and assets of the Village and ensure reporting is accurate. Failure to accurately prepare the accounting records:

- 1) reduces the accountability over Village funds,
- 2) reduces the Council's 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 financial statements will be misstated.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-008 (Continued)

**Material Weakness/Noncompliance (Continued)**

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

- Detailed, signed and dated credit card and charge account receipts should be maintained and attached to the monthly statements and voucher packet. A comparison should be made between the goods/services included on the credit card receipts and the goods/services received and billed. A policy needs to be established by the Village outlining necessary guidelines for credit card and charge account use;
- Supporting documentation should be maintained and required for all expenditures made by the Village. Preapproval for any work to be completed by individuals (other than employees of the Village) should be documented in the minute records of the Village and supporting documentation of work completed should be attached to the voucher packet;
- A contract should be provided by the Village to the Water Administrator outlining specific duties and the rate of pay for the position;
- Approval of reimbursements should be documented in the minute record of the Village and documentation supporting the reimbursement amount should be provided and attached to the voucher packet;
- Manual checks should not be written unless absolutely necessary. The use of manual checks increases the chances of errors or omissions and makes the preparation of the monthly reconciliation difficult;
- Detailed timesheets should be completed by all hourly employees or employees that will be paid from restricted funds;
- Officials should periodically review the accounting records and financial statements to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer; and
- The Village should adopt and enforce a policy to prevent related party transactions. See finding 2014-006.

**Management's Response** - We received no response from officials to this finding.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-009**

**Noncompliance**

**Ohio Revised Code, Section 733.31**, [Effective Until 6/21/2013] requires the following when filling vacancies in appointive or elective offices:

- (A) Unless otherwise provided by law, vacancies arising in appointive and elective offices of villages shall be filled by appointment by the mayor for the remainder of the unexpired term, provided that:
  - (1) Vacancies in the office of mayor shall be filled in the manner provided by section 733.25 of the Revised Code;
  - (2) Vacancies in the membership of the legislative authority shall be filled in the manner provided by section 731.43 of the Revised Code;
  - (3) Vacancies in the office of president pro tempore of a village legislative authority shall be filled in the manner provided by section 731.11 of the Revised Code.

In the event of a vacancy in the office of village clerk or treasurer, the mayor may appoint a person to serve as an acting officer to perform the duties of the office until a permanent officer is appointed to fill the vacancy.

Additionally, the Ohio Revised Codes 731.43 also states the following regarding a vacancy in village legislative authority:

- (A) (1) Except as otherwise provided in division (A)(2) of this section, when the office of a member of the legislative authority of a village becomes vacant, the vacancy shall be filled by election by the legislative authority for the unexpired term. If the legislative authority fails within thirty days to fill such vacancy, the mayor shall fill it by appointment except that, subject to division (A)(2) of this section, when the vacancy occurs because of the operation of section 733.25 of the Revised Code, the successor shall hold office only for the period the president pro tempore of the legislative authority holds the office of mayor.
- (2) When a vacancy occurs in the office of a member of the legislative authority of a village with a population of less than two thousand because of the operation of section 733.25 of the Revised Code at the time the president pro tempore becomes mayor the president pro tempore shall decide whether the president pro tempore wishes to serve the remainder of the president pro tempore's unexpired term as a member of the legislative authority of the village when the mayor's successor is elected and qualified in accordance with that section. If the president pro tempore decides to serve the remainder of the president pro tempore's unexpired term as a member of the legislative authority, the vacancy on the legislative authority shall not be filled and the president pro tempore shall resume serving the president pro tempore's unexpired term on the legislative authority as soon as the mayor's successor is elected and qualified. If the president pro tempore decides not to resume serving the remainder of the president pro tempore's unexpired term as a member of the legislative authority as soon as the mayor's successor is elected and qualified, then the vacancy in the office of member of the legislative authority shall be filled in accordance with this section.

VILLAGE OF MARTINSVILLE  
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SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-009 (Continued)

**Noncompliance (Continued)**

In the November 2005 election, Carole Robinson and Madge Smart were elected to Village Council for the January 1, 2006 to December 31, 2009 term of office. They subsequently appointed Sheri Watson as Village Fiscal Officer on September 13, 2008. The appointment to Village Fiscal Officer did not expire.

No one in the Village filed to run for office (Mayor or Council) in the November 2009 election when there were 4 Council vacancies and 1 vacancy for Mayor. Carole Robinson and Madge Smart were the only legally elected officials until January 1, 2010, when their terms were completed. Beginning January 1, 2010 until January 1, 2012, there were no legally elected Council Members and only one legally appointed Council Member (Luke Mountjoy). At that time, the former Village Officials or their Legal Counsel should have informed the County Prosecutor and the Board of Elections for guidance.

In November 2011, Luke Mountjoy was the only person to run for a Council position for the January 1, 2012 to December 31, 2015 term. Mr. Mountjoy was the only elected council member as of January 1, 2012.

Mr. Mountjoy, as a Council Member, did not have the authority under either ORC Section 731.31 or 731.43 to appoint other members of Council or Mayor. Because there was no Mayor or President of Council, Mr. Mountjoy should have contacted his Legal Counsel and the Clinton County Board of Elections. Instead, Mr. Mountjoy appointed 4 additional people to serve on Council, including his mother, and they then elected a Council President and Mayor. When those appointed by Mr. Mountjoy subsequently resigned, additional members were appointed and among themselves, elected a Mayor and Council President (Rayetta and Carole Robinson, respectively.)

Improperly appointing Council members, then holding elections for Council President and Mayor, directly contradicts the Ohio Revised Code as to the manner in which the village residents are to be represented in matters of trust concerning Village assets, policies and procedures. Improperly appointed officials are not held to a legal standard as properly elected officials, and are not covered by the Village's Surety Bond.

We recommend that the Village Officials follow the Ohio Revised Code and only have properly elected or appointed officials in charge of the Village.

**Management's Response** – All Council members and Mayor were elected in the November 2013 election.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-010

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 735.273**, states that the village administrator appointed under **Ohio Revised Code, Section 735.271**, shall manage, conduct, and control the water works. The Village Administrator is also responsible for billings and collections of water and trash.

The Village bills each resident a flat rate on a monthly basis. The utility receipts are collected and deposited into the Village's Water Revenue Fund. The Village has no records of water customers by address or meter number or location. Not all customers have water meters, and of those that do, many are non-functional.

The Village was unable to provide a complete listing of utility customers as of December 31, 2013 and 2014. Several different billing lists were provided, but the lists provided did not match each other. There is no assurance the customer lists provided are complete, that all users are being billed or, if necessary, included on the delinquency list.

The Village purchases water from Highland County Water, Inc. (HCW) to supply water to the Village residents. The Village did not collect sufficient revenue to offset the cost of supplying water to the Village residents. The Village owed \$107,189 to HCW at December 31, 2013, however the Enterprise Fund balance was only \$45,363. The Village owed \$81,988 to HCW at December 31, 2014, and the Enterprise Fund balance was \$33,828. HCW bills the Village each month for the total amount of water that runs through the Village's master meter. Due to the lack of metering, the Village cannot monitor the master meter readings by comparing gallons purchased from HCW to the total amount of gallons the customers used and cannot determine if there are leaks in the system. The flat-rate billing does not provide adequate revenue for the Village to repay HCW.

The Village has appointed a Village Administrator; however, the Village Administrator is not managing the daily operations of the utility billings and collections as required. Instead, the Village has appointed the Fiscal Officer to be in charge of all utility transactions and neither the Council nor the Administrator reviews the utility activity. Insufficient documentation prevented us from being able to assure the completeness or accuracy of the balance in the Water Deposit Fund and from being able to audit the utility receipts to ensure completeness of the Charges for Services Receipts reported as the Enterprise Fund Type on the financial statement.

Village officials must review the cost of maintaining and supplying water to the residents and establish rates based on the cost of maintaining the water system. The Village should begin to monitor their water usage through the Master Meter and work towards a solution to bill customers accurately for water consumption in an amount adequate to pay HCW for the water purchased. Village Officials should hold the Village Administrator responsible for the duties of the position, including effective billing and collection procedures to reduce the customer delinquency amount and verify the listing of all meters/taps and the addresses to ensure that all houses receiving utility service are being billed. The Village Administrator should confirm all potential water and trash users to create a Master file of service addresses. The master file should be used to reconcile the actual billings, delinquent balances, and ensure that all users are billed at the correct amount. A hard copy of the master file should be maintained in a separate place. This file could be used as a backup in the event that utility records have been lost or destroyed.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-010 (Continued)**

**Material Weakness/Noncompliance (Continued)**

- The Village Administrator should maintain a record of all utility deposits received, refunded and/or forfeited. This could be done in conjunction with the master file of service addresses mentioned above which would help to show when a deposit is due to be refunded or should be applied. The listing of utility deposits should be reconciled to the fund balance maintained by the fiscal officer in the Cash Journal.
  
- The Village should develop policies and procedures outlining the security of all assets, collections, and records, including a written inventory of all records and assets noting the records or asset and location.

**Management's Response** – Meters are being read and overage rate of \$7.00 per thousand applied for usage over 5000 gallons. As of March 15, 2015, the Village returned all equipment and rights to Highland County Water in exchange for debt forgiveness.

**FINDING NUMBER 2014-011**

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 733.28**, states that the Village Fiscal Officer must keep the books of the Village, exhibit accurate statements of all moneys received and Village and income derived thereof, and all taxes and assessments.

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

**Ohio 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:

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.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2014-011 (Continued)**

**Material Weakness/Noncompliance (Continued)**

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

- The Village Fiscal Officer did not provide a record showing all individuals with water deposits and the amount of the deposits. The Village provided a report from the subsidiary system to show the water deposit activity for the period. This report shows some individuals that have a deposit on file but does not reconcile to the fund balance.
- The Village allowed residents to make payments via mail, in person to the fiscal officer, or in person to a council member. Receipts were not provided to ensure that all collections were deposited with the Fiscal Officer, that those payments were posted to the subsidiary ledger, and that all receipts collected were deposited.
- The Village did not post receipts to the fund and line item accounts as established by Ohio Administrative Code.

During 2013 and 2014, some receipts were not posted correctly. The following errors were noted:

- Local Government receipts were incorrectly posted as Property Tax instead of Intergovernmental in 2013 and 2014
- Gasoline tax receipts were incorrectly posted to Property Tax instead of Intergovernmental in 2013 and 2014
- The Village appropriations and estimated receipts were not recorded in a trackable system.

Failure to accurately prepare and reconcile the accounting records:

- 1) Reduces the accountability over Village Funds,
- 2) Reduces the Council's ability to monitor financial activity and make informed decisions,
- 3) Increases the likelihood that moneys will be misappropriated and not detected, and
- 4) Increase the likelihood that the Village's financial statement will be misstated.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-011 (Continued)

**Material Weakness/Noncompliance (Continued)**

Not posting receipts accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend the management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts are properly identified and classified on the financial statements.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine proper establishment of receipt accounts and posting of receipts.

**Management's Response** – We received no response from officials to this finding.

FINDING NUMBER 2014-012

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.41(D)(1)**, division 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 "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 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.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-012 (Continued)**

**Material Weakness/Noncompliance (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 contract 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 for 13 of 20 (65%) transactions tested for 2013 and 9 of 22 (41%) transactions tested for 2014. Failure to certify the availability of funds resulted in overspending funds and negative cash balances. Prior certification is not only required by statute, but also is a key control in the disbursement process to assure 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.

**Management’s Response** – We received no response from officials to this finding.

**FINDING NUMBER 2014-013**

**Significant Deficiency**

As the Council speaks only through its record of proceedings (minutes), the records must be complete and accurate. The minutes must state sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body’s decisions. Additionally, the public body must promptly prepare the minutes, file them and maintain them. While reading the minutes, we noted the following items:

- The Village minutes were not printed on pre-numbered forms and controls to mitigate completeness issues from not using the pre-numbered forms had not been implemented.
  
- The January 2013 through March 2013 minute records are not in the record book.
  
- Appointments to Council and Mayor were not made in accordance with Ohio Revised Code and not properly documented in the minutes. See finding 2014-009.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-013 (Continued)

**Significant Deficiency (Continued)**

We recommend the following to ensure that the minutes properly reflect parliamentary procedures and the actions of the Village.

- Minutes should be recorded in a pre-numbered permanent bound minute book or the Village should develop other procedures to ensure completeness and reduce the risk of minute records being altered, lost, or misplaced.
- Council should take due care and consult the Village's legal counsel prior to appointing Council Members and documentation should be kept along with the resolution to ensure that procedures are in accordance with Ohio Revised Code.

Implementation of these procedures would aid in ensuring that the minute record would be an accurate reflection of the Council's actions, would assist in location of specific actions of the Council and would help ensure the safekeeping of the minutes.

**Management's Response** – Minutes since April 2013 have been recorded in a pre-numbered log book and digitally recorded.

FINDING NUMBER 2014-014

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.41(B)**, prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations: General and Water Operating Funds in 2014 and 2013.

**Ohio Revised Code, Section 5705.39**, total appropriations from each fund shall not exceed the total of estimated resources available for expenditure. The following funds had appropriations which exceeded estimated resources: General Fund in 2014 and 2013.

Failure to monitor expenditures, appropriations, and estimated revenue can lead to overspending in individual funds, causing negative fund balances. We recommend Village Officials regularly compare appropriation levels to disbursements, outstanding encumbrances, and estimated revenue to determine the need for amendments and reduce the risk of negative fund balances.

**Management's Response** – We received no response from officials to this finding.

VILLAGE OF MARTINSVILLE  
CLINTON COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-015

**Material Weakness/Noncompliance – Internet Reimbursements**

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” state that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

We noted 2 payments totaling \$50 to Carole Robinson for internet reimbursement during 2013. There was no supporting documentation provided. All reimbursements require supporting documentation to show the purpose of the expenditure and ensure the proper amount is paid from the proper funds.

Warrants 19934 and 19947 for the above charge were signed by the Village Fiscal Officer Sheri Watson.

A detailed listing of the warrants related to all the above charges was provided to the Village Council at each regular meeting, and was signed by them as an indication of their review and approval for the expenditures identified.

**Management’s Response** – Reimbursements require a receipt, that is then matched with the check and all council members sign off before the check is issued.

FINDING NUMBER 2014-016

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.10(H)** states money paid into any fund shall be used only for the purposes for which such fund is established.

At December 31, 2014 and 2013, the General Fund had a cash deficit balance of \$29,068 and \$57,885, respectively.

Negative cash fund balances are an indication that revenues from other sources were used to pay the obligations of this fund. The Fiscal Officer should monitor receipts and disbursements on a regular basis to ensure a sufficient fund balance exists before authorizing the expenditure of funds.

**Management’s Response** – We received no response from officials to this finding.

**VILLAGE OF MARTINSVILLE  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2012-001	Noncompliance/Improper Use of Public Money	No	Not Corrected; Repeated as Finding 2014-001
2012-002	Noncompliance/Improper Use of Public Money	No	Not Corrected; Repeated as Finding 2014-002
2012-003	Noncompliance/Improper Use of Public Money	No	Not Corrected; Repeated as Finding 2014-003
2012-004	Noncompliance/Improper Use of Public Money	No	Not Corrected; Repeated as Finding 2014-004
2012-005	Noncompliance/Improper Use of Public Money	No	Not Corrected; Repeated as Finding 2014-005
2012-006	Ohio Revised Code Section 2921.42(H)	No	Not Corrected; Repeated as Finding 2014-006
2012-007	Ohio Revised Code Section 5705.10	No	Not Corrected; Repeated as Finding 2014-007
2012-008	Ohio Administrative Code Section 117-2-01	No	Not Corrected; Repeated as Finding 2014-008
2012-009	Ohio Revised Code Section 733.31	No	Not Corrected; Repeated as Finding 2014-009
2012-010	Ohio Revised Code Section 735.273	No	Not Corrected; Repeated as Finding 2014-010
2012-011	Ohio Revised Code Section 733.28 Ohio Administrative Code Section 117-2-02(C)(1) Ohio Administrative Code Section 117-2-02(D)	No	Not Corrected; Repeated as Finding 2014-011
2012-012	Ohio Revised Code Section 5705.41(D)(1)	No	Not Corrected; Repeated as Finding 2014-012
2012-013	Improper minute record keeping	No	Not Corrected; Repeated as Finding 2014-013
2012-014	Ohio Revised Code Section 5705.36(A)(4)	Yes	N/A
2012-015	Ohio Revised Code Section 5705.41(B)	No	Not Corrected; Repeated as Finding 2014-014
2012-016	Noncompliance/Improper use of public funds	No	Not Corrected; Repeated as Finding 2014-015
2012-017	Noncompliance/Improper use of public funds	Yes	N/A

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# Dave Yost • Auditor of State

**VILLAGE OF MARTINSVILLE**

**CLINTON 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 27, 2016**