



Dave Yost • Auditor of State

VILLAGE OF MACKSBURG
WASHINGTON COUNTY
DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Macksburg
Washington County
P.O. Box 166
Macksburg, Ohio 45766

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 Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. 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 such 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.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion

The Village did not post the adjustments relating to material misstatements of the financial statements for the years ending December 31, 2016 and 2015. Had these adjustments been posted by the Village, the effect would have been a decrease in the Village's General Fund of \$3,750, a decrease in the Street Light Fund of \$1,463, an increase in the Street Construction, Maintenance and Repair Fund of \$4,145 and an increase in the State Highway Fund of \$1,068 for the year ended December 31, 2016. Additionally, the effect would have been a decrease in the Village's General Fund of \$977, an increase in the Street Construction, Maintenance and Repair Fund of \$1,921, an increase in the State Highway Fund of \$520 and a decrease in the Street Light Fund of \$1,464 for the year ended December 31, 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Macksburg, Washington County, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 3 to the 2015 financial statements, The Village previously reported a negative unclassified balance of \$16,442 for the year ended December 31, 2014. This balance was absorbed by the General Fund at January 1, 2015. Additionally, an inactive bank account with a balance of \$1,800 was omitted from the December 31, 2014 General Fund cash balance and included in the January 1, 2015 balance. This resulted in a decrease of \$14,642 in the General Fund cash balance at January 1, 2015.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2018

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**Village of Macksburg
Washington County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Miscellaneous	\$21,907	\$6,457	\$28,364
	<u>21,907</u>	<u>6,457</u>	<u>28,364</u>
Cash Disbursements			
Miscellaneous	12,383	10,558	22,941
<i>Total Cash Disbursements</i>	<u>12,383</u>	<u>10,558</u>	<u>22,941</u>
<i>Net Change in Fund Cash Balances</i>	9,524	(4,101)	5,423
<i>Fund Cash Balances, January 1</i>	<u>(163)</u>	<u>6,877</u>	<u>6,714</u>
Fund Cash Balances, December 31			
Unassigned (Deficit)	<u>9,361</u>	<u>2,776</u>	<u>12,137</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,361</u></u>	<u><u>\$2,776</u></u>	<u><u>\$12,137</u></u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 1 - Reporting Entity

The Village of Macksburg (the Village), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, street maintenance and street lighting services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds 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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is classified based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The Village did not classify the fund balances as required. As a result, all fund balances are classified as follows:

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.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$21,907	\$21,907
Special Revenue	0	6,457	6,457
Total	\$0	\$28,364	\$28,364

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$12,383	(\$12,383)
Special Revenue	0	10,558	(10,558)
Total	\$0	\$22,941	(\$22,941)

Contrary to Ohio Rev. Code §§ 5705.36 and 5705.38(A), the Village did not certify the estimated receipts nor did they adopt an appropriation measure for the year ended December 31, 2016. Also, contrary to Ohio Rev. Code § 5705.10(I), the Village carried negative fund cash balances in the General, Street Construction, Maintenance and Repair and Street Light Funds during 2016.

Note 4 - Deposits

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

Total deposits	2016
	\$12,137

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

Note 5 - Taxes

Property Taxes

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.

Note 6 - Social Security

The Village's elected officials and employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 7 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 8 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Village of Macksburg
Washington County**

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Miscellaneous	\$17,256	\$8,317	\$25,573
	<u>17,256</u>	<u>8,317</u>	<u>25,573</u>
Cash Disbursements			
Miscellaneous	12,335	10,860	23,195
<i>Total Cash Disbursements</i>	<u>12,335</u>	<u>10,860</u>	<u>23,195</u>
<i>Net Change in Fund Cash Balances</i>	4,921	(2,543)	2,378
<i>Fund Cash Balances, January 1 (Restated, See Note 3)</i>	<u>(5,084)</u>	<u>9,420</u>	<u>4,336</u>
Fund Cash Balances, December 31			
Unassigned (Deficit)	<u>(163)</u>	<u>6,877</u>	<u>6,714</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$163)</u></u>	<u><u>\$6,877</u></u>	<u><u>\$6,714</u></u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Note 1 - Reporting Entity

The Village of Macksburg (the Village), Washington County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, street maintenance and street lighting services.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds 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 Fund:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is classified based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The Village did not classify the fund balances as required. As a result, all fund balances are classified as follows:

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.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

Note 3 - Restatement of Fund Balances

The Village previously reported a negative unclassified balance of \$16,442 for the year ended December 31, 2014. This balance was absorbed by the General Fund at January 1, 2015. Additionally, an inactive bank account with a balance of \$1,800 was omitted from the December 31, 2014 fund cash balance and included in the January 1, 2015 balance. The net effect of these changes to the January 1, 2015 fund balances are as follows:

Fund Type	Audited 12/31/14 Balance	Adjustment	Restated 01/01/15 Balance
General Fund	9,558	(14,642)	(5,084)

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$17,256	\$17,256
Special Revenue	0	8,317	8,317
Total	\$0	\$25,573	\$25,573

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$12,335	(\$12,335)
Special Revenue	0	10,860	(10,860)
Total	\$0	\$23,195	(\$23,195)

Contrary to Ohio Rev. Code §§ 5705.36 and 5705.38(A), the Village did not certify the estimated receipts nor did they adopt an appropriation measure for the year ended December 31, 2015. Also, contrary to Ohio Rev. Code § 5705.10(I), the Village carried a negative fund cash balance in the General Fund during 2015.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

Note 5 - Deposits

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

	2015
Total deposits	<u>\$6,714</u>

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 - Taxes

Property Taxes

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.

Note 7 - Social Security

The Village's elected officials and employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

Note 8 - Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Note 10 - Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

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

Village of Macksburg
Washington County
P.O. Box 166
Macksburg, Ohio 45766

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 cash balances, receipts, and disbursements by fund type of the Village of Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated February 7, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Also, we qualified our opinion on the General and Special Revenue Funds because the Village declined to adjust its financial statements or accounting records for audit findings for adjustments. These adjustments result in a material misstatement of General Fund, Street Construction, Maintenance and Repair Fund, the State Highway Fund and the Street Light Fund cash balances as of December 31, 2016 and 2015. Lastly, the Village restated the January 1, 2015 General Fund balance to reflect the addition of a previously unreported bank account and an adjustment to report previously unclassified financial activity and balances in the General Fund.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-007 through 2016-009 and 2016-011 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-001 through 2016-010.

Entity's Responses to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

February 7, 2018

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Finding for Recovery - Repaid Under Audit

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

As the Village’s fiscal officer, Kimberlee Gardine used the Village debit card to make purchases during the audit period, January 1, 2015 through December 31, 2016, totaling \$1,724.76, which were illegal and not related to the operations of the Village. The purchases consisted of the following:

The following internet bills were paid in addition to the \$34.48 monthly bills for the Village approved account:

Frontier	10/08/15	\$169.29
Frontier	01/11/16	51.43
Frontier	02/04/16	58.93

Policy number on invoices for the following transactions were identified as Kim Gardine’s personal policy in 2014-2013 Special Audit:

Progressive Insurance	10/21/15	\$469.83
Progressive Insurance	01/04/16	198.18
Progressive Insurance	02/05/16	198.18
Progressive Insurance	05/05/16	400.00

The following fuel purchases were determined to be personal as the station is near Ms. Gardine’s residence with two stations much closer to Village. Additionally, one transaction occurred at 12:02 AM on Saturday, June 18:

BP in Pleasant City	06/06/16	\$35.00
BP in Pleasant City	06/20/16	40.00

The following purchases were unsupported and determined to be personal as the Village did not do business with Verizon at any time during the audit period and traveling to Cambridge for gasoline does not appear reasonable or consistent with regular Village practice.

Murphy’s Oil	02/27/15	\$28.00
Verizon	07/10/15	75.92
Total		<u>\$1,724.76</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a proposed Finding for Recovery for public monies illegally expended in the amount of \$1,724 is hereby issued against Kimberlee Gardine and her bonding company, Western Surety Company, jointly and severally liable in favor of the Village of Macksburg’s General Fund.

Ms. Gardine sent the Village a money order for \$1,724 via certified mail on November 21, 2017. The officials failed to pick up the certified letter and, after three notices, it was returned to Ms. Gardine who then turned the money order over to the Washington County Prosecutor. The Prosecutor turned the check over to the Village Solicitor on January 4, 2018.

Official’s Response: The Officials did not respond to this Finding.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-002

Noncompliance

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

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

The Village's prepares cash-basis financial reports. Accordingly, the financial reports were required to be submitted to the Auditor of State within sixty days of year end. However, the Village did not file the annual report for the years ending December 31, 2015 or 2016 until August 6, 2017 and July 19, 2017, respectively. This was because the Village did not prepare or maintain proper financial records during the year.

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

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

FINDING NUMBER 2016-003

Noncompliance

Ohio Rev Code § 145.03(A) provides, in part, that except as provided in division (B) of this section, membership in the system is compulsory upon being employed and shall continue as long as public employment continues.

Contrary to the Code, the Village did not enroll its employee in the Ohio Public Employee's Retirement System (OPERS) but, rather, allowed him to contribute to Social Security instead. If there is a period during which contributions are not withheld and sent to OPERS, and membership is then determined to be required, the employer is liable for both the employee and employer contributions, plus interest if the unreported service also occurred in a previous calendar year. This matter will be referred to the OPERS.

The Village management should require the employee to enroll in OPERS and commence the required contributions. Management should also contact OPERS to obtain guidance on handing the required contributions due subsequent to the enrollment date.

Official's Response: The Village misunderstood and thought part-time employees did not have to be members of OPERS.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-004

Noncompliance

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

The General Fund had a deficit cash balance from January 1, 2015 through February 25, 2016, ranging from negative \$692 to negative \$7,401. The Street Construction, Maintenance and Repair Fund had a deficit cash balance from January 1, 2016 through December 31, 2016 ranging from negative \$246 to negative \$888. The Street Light Fund had a deficit cash balance from July 31, 2016 through December 31, 2016 ranging from negative \$164 to negative \$3,488. A deficit cash fund balance indicates that money from one fund was used to cover the expenses of another fund.

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

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

FINDING NUMBER 2016-005

Noncompliance

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

The Village officials did not file the certificate with the County Auditor for 2015 or 2016. As a result the Village officials were unable to properly budget its expenditures, which did, in fact, lead to expending more money than is available in certain special revenue funds during the period.

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

Official's Response: The Officials will take the necessary steps to ensure the fiscal officer certifies the total amount from all sources available for expenditure from each fund to the County Auditor by the first day of the fiscal year.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-006

Noncompliance

Ohio Rev. Code § 5705.38(A) provides that, on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Ohio Rev. Code § 5705.38(C) requires the following minimum level of budgetary control for “subdivisions” other than schools: “Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

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

The Village never adopted 2015 or 2016 appropriations nor were appropriations filed with the County Budget Auditor. As a result, 100% of expenditures were made absent of legal appropriations.

Council should adopt permanent appropriations on or around the first day of each fiscal year and that these appropriations meet the minimum requirements as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Official’s Response: The Officials will take the necessary steps to adopt an appropriation measure and file it with the County Auditor on or about the first day of the fiscal year

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

FINDING NUMBER 2016-007

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-007 (Continued)

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

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction;
2. Receipts ledger, which typically assembles and classifies receipts into separate account for each type of receipt of each fund the public office uses. The amount, date, name of payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger; and
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

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

- W-2 forms, W-4 forms and other withholding records and authorizations;
- Payroll journals that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay and other compensation paid to the employee (such as termination payment), and the fund and account charged for the payments;
- Check register that includes, in numerical sequence, the check number, payee, net amount and the date;
- Information regarding nonmonetary benefits such as car usage and life insurance; and
- Information, by employee, regarding leave balances and usage.

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

During the audit period, the Village did not maintain, or did not complete a receipts ledger, appropriation ledger that maintained running balances. The Village Fiscal Officer did not classify transactions within the restricted funds and General Fund.

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

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

Official's Response: The Officials have decided to start using the Uniform Accounting Network System to assist the Fiscal Officer in preparing interim and annual financial reports that generate the required Journals and ledgers described above.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-008

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The amounts reported on the Village's annual financial report did not agree to the reconciled underlying accounting records for the year ended December 31, 2015 resulting in the following adjustments:

General Fund

- Total Receipts decreased by \$6,451
- Total Expenditures decreased by \$36
- Beginning Balance decreased by \$9,420

Special Revenue Funds

- Total Receipts increased by \$6,642
- Total Expenditures increased by \$227
- Beginning Balance increased by \$9,420

The amounts reported on the Village's annual financial report did not agree to the reconciled underlying accounting records for the year ended December 31, 2016 resulting in the following adjustments:

General Fund

- Total Receipts decreased by \$5,248
- Total Expenditures decreased by \$574
- Beginning Balance decreased by \$6,877

Special Revenue Funds

- Total Receipts increased by \$5,283
- Total Expenditures increased by \$574
- Beginning Balance increased by \$6,877

These misstatements were caused by a lack of management oversight. As a result, the significant adjustments, with which the Village's management agrees, are reflected in the accompanying financial statements.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should ensure the amounts reported in the annual financial reports presented to the public and for audit agree to the underlying accounting records and ledgers.

Official's Response: With the village moving their financial records over to the Uniform Accounting System, this will help to ensure that receipts and expenditures are being posted to the proper places.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-009

Finding for Adjustment, Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

In addition to adjusting the 2015 annual financial report to agree with the underlying accounting records, we noted the following material interfund and intrafund material mispostings for the year ended December 31, 2015:

General Fund

- All receipts were reported as 'unclassified receipts' which would have resulted in a decrease of \$17,256 in unclassified receipts and an increase in property and other local taxes of \$1,543, an increase in intergovernmental receipts of \$14,443, an increase in investment income of \$2, an increase in charges for services of \$100 and an increase in miscellaneous receipts of \$191.
- All expenditures were reported as 'unclassified expenditures' which would have resulted in a decrease in unclassified expenditures of \$12,335 and an increase in general government expenditures of \$12,335.
- Fund balance would have decreased by \$977 for intergovernmental receipts which should have been credited to the special revenue funds.

Street Construction, Maintenance and Repair Fund

- All receipts were reported as 'unclassified receipts' which would have resulted in a decrease of \$6,380 in unclassified receipts and an increase in an increase in intergovernmental receipts of \$7,901, and increase in miscellaneous income of \$400.
- All Street Construction, Maintenance and Repair Fund expenditures were reported as 'unclassified expenditures' which would have resulted in a decrease in unclassified expenditures of \$7,147 and an increase in transportation expenditures of \$7,147.

State Highway Fund

- Intergovernmental receipts of \$520 should have been posted to the State Highway Fund but were posted to the General Fund in error.

Permissive Motor Vehicle License Tax Fund

- Intergovernmental receipts of \$473 should have been posted to the State Highway Fund but were posted to the General Fund in error.

Street Light Fund

- All receipts were reported as 'unclassified receipts' which would have resulted in a decrease of \$1,464 in unclassified receipts and an increase in an increase in intergovernmental receipts of \$1,464.
- All Street Light Fund expenditures were reported as 'unclassified expenditures' which would have resulted in a decrease in unclassified expenditures of \$3,712 and an increase in security of persons and property expenditures of \$3,712.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-009 (Continued)

**Finding for Adjustment, Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A)
(Continued)**

Fund balances at December 31, 2015 were not properly classified according GASB 54 which would have resulted in the following fund balance classifications:

- General Fund ending balance of (\$1,140) would have been reclassified as unassigned.
- Street Construction, Maintenance and Repair Fund ending balance of \$1,738 would have been reclassified as restricted.
- State Highway Fund ending balance of \$520 would have been reclassified as restricted.
- Permissive Motor Vehicle License Tax Fund ending balance of \$5,374 would have been reclassified as restricted.
- Street Lights Fund ending fund balance of \$203 would have been reclassified as restricted.

In addition to adjusting the 2016 annual financial report to agree with the underlying accounting records, we noted the following material interfund and intrafund material mispostings for the year ended December 31, 2016:

General Fund

- All General Fund receipts were reported as 'unclassified receipts' which would have resulted in a decrease of \$20,556 in unclassified receipts and an increase in property and other local taxes of \$1,005, an increase in intergovernmental receipts of \$17,957, an increase in investment income of \$3, an increase in charges for services of \$150 and an increase in miscellaneous receipts of \$30.
- All General Fund expenditures were reported as 'unclassified expenditures' which would have resulted in a decrease in unclassified expenditures of \$12,383 and an increase in general government expenditures of \$12,383.
- Property Tax Receipts were posted at net rather than gross which would have resulted in an increase of \$729 in both property and other local taxes and in general government expenditures.
- Fund balance would have decreased by \$1,411 for intergovernmental receipts which should have been credited to the special revenue funds.

Street Construction, Maintenance and Repair Fund

- All were reported as 'unclassified receipts' which would have resulted in a decrease of \$6,001 in unclassified receipts and an increase in an increase in intergovernmental receipts of \$8,224.
- All Street Construction, Maintenance and Repair Fund expenditures were reported as 'unclassified expenditures' which would have resulted in a decrease in unclassified expenditures of \$6,866 and an increase in transportation expenditures of \$6,866.
- Fund balance would have increased by \$2,223 for intergovernmental receipts which were erroneously posted to the General and other Special Revenue Funds.

State Highway Fund

- Intergovernmental receipts of \$548 should have been posted to the State Highway Fund but were posted to the General Fund in error.

Permissive Motor Vehicle License Tax Fund

- All receipts were reported as 'unclassified receipts' which would have resulted in a decrease of \$456 in unclassified receipts and an increase in an increase in intergovernmental receipts of \$456.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-009 (Continued)

**Finding for Adjustment, Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A)
(Continued)**

Street Light Fund

- All receipts were reported as 'unclassified receipts' which would have resulted in a decreased of \$3,691 in unclassified receipts and an increase in an increase in intergovernmental receipts of \$3,691.

Fund balances at December 31, 2016 were not properly classified according GASB 54 which would have resulted in the following fund balance classifications:

- General Fund ending balance of 5,611 would have been reclassified as unassigned.
- Street Construction, Maintenance and Repair Fund ending balance of \$3,096 would have been reclassified as restricted.
- State Highway Fund ending balance of \$1,068 would have been reclassified as restricted.
- Permissive Motor Vehicle License Tax Fund ending balance of \$5,850 would have been reclassified as restricted.
- Street Lights Fund ending fund balance of (\$3,488) would have been reclassified as unrestricted.

Had the Village Fiscal Officer posted the audit adjustments as communicated during the audit, the net impact on the fund balances would have been as follows:

Fund	Unadjusted 12/31/16 per Cash Journal	Proposed Audit Adjustments	Audited 12/31/2016 Fund Balances
General Fund	\$9,361	(\$3,750)	\$5,611
Street Construct., Maint. & Repair	(1,049)	4,145	3,096
State Highway	0	1,068	1,068
Permissive MVL	5,850	0	5,850
Street Lights	(2,025)	(1,463)	(3,488)
Total All Fund Balances	<u>\$12,137</u>	<u>\$0</u>	<u>\$12,137</u>

The Village Fiscal Officer has not posted these adjustments to the Village records and therefore, these adjustments is not reflected in the accompanying financial statements.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding For Adjustment is hereby issued against the Village's General and Street Light Funds in the amount of \$3,750 and \$1,463, respectively and in favor of the Street Construction, Maintenance and Repair and the State Highway Funds in the amount of \$4,145 and \$1,068, respectively, as of December 31, 2016.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, the Fiscal Officer should review the audit adjustments, Village Officer's Handbook, and Auditor of State Bulletin 2011-004 for guidance on the correct line items to post various receipts and expenditures as well as fund balance classifications of the Village.

Official's Response: The Officials did not respond to this finding.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-010

Noncompliance

26 U.S.C. § 3402 provides that every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury. The employer is required to submit the employees' withholdings to the Internal Revenue Service either monthly or quarterly, depending upon the monthly gross wages.

The Village did not maintain copies of the Federal 941 Forms documenting the federal income tax liability and remittances for 2015 and 2016.

Furthermore, the Fiscal Officer remitted \$579 less than withheld for the first and second quarters of 2016 and did not remit any withholdings for the third and fourth quarter of 2016. This matter will be referred to the Internal Revenue Service.

The Village Fiscal Officer should ensure federal income taxes withheld are remitted on a timely basis and properly maintain documentation evidencing the remittance of federal taxes and the required reports.

Official's Response: The Village will take the necessary steps to ensure that taxes are reported and paid on a timely basis.

FINDING NUMBER 2016-011

Material Weakness

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

The small size of the Village staff did not allow for an adequate segregation of duties; the Village Fiscal Officer was responsible for all accounting functions. Therefore, it is important the Village Council function as a finance committee to monitor financial activity closely. Actual revenues and expenses should be compared to budgeted amounts each month, and reported to and reviewed by the Village Council. The Village Council should determine the reason actual expenditures varied from budgeted expenditures by making inquiries to management. Additionally, the Village Council should compare their actual cash balance to budgeted cash balances at the end of each month. When the actual cash balance is below the budgeted cash balance, the Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance. In addition, the Village Council should review and approve bank reconciliations and expenditures monthly.

There was no documentation supporting the Village Council's review of monthly bank reconciliations for any Village accounts, or the extent to which the Council used financial information to monitor the financial activity of the Village. The lack of financial information provided for the Council monthly to review hampers the Council's ability to effectively monitor the financial activity and position of the Village. Council's failure to actively review bank reconciliations, accurate monthly financial reports and individuals resulted in Councils' inability to detect or prevent theft by the former Fiscal Officer.

The lack of controls over expenditures and financial reporting adversely affected the Village's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

**VILLAGE OF MACKSBURG
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-011 (Continued)

Material Weakness (Continued)

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

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

Inquiries relevant to overall Village operations:

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

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

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

VILLAGE OF MACKSBURG

WASHINGTON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding for Recovery - a proposed Finding for Recovery for public monies converted or misappropriated in the amount of \$3,885.	Not Corrected	The Village receipted \$2,176.87 of this amount on January 9, 2017. The balance of \$1,708 remains unpaid.
2014-002	Noncompliance with Ohio Rev. Code § 117.38 for not filing the annual report for 2013 or 2014.	Not Corrected	The Village will prepare and submit an annual financial report by the required date going forward.
2014-003	Material Weakness and Noncompliance with Ohio Rev. Code § 149.351(A) for damage or destruction of public records.	Corrected	N/A
2014-004	Noncompliance with Ohio Revised Code § 5705.10(I) - The Street Construction, Maintenance and Repair Fund had a deficit cash balance.	Not Corrected	The Officials will monitor spending levels and make sure expenditures are posted to the correct funds.
2014-005	Noncompliance with Ohio Rev. Code § 5705.36 - The Village officials did not file the certificate with the County Auditor for 2014 or 2013.	Not Corrected	The Officials will take the necessary steps to ensure the fiscal officer certifies the total amount from all sources available for expenditure from each fund to the County Auditor by the first day of the fiscal year.
2014-006	Noncompliance with Ohio Rev. Code § 5705.38(A) - The Village never adopted 2013 or 2014 appropriations nor were appropriations filed with the County Budget Auditor.	Not Corrected	The Officials will take the necessary steps to adopt an appropriation measure and file it with the County Auditor on or about the first day of the year.
2014-007	Material Weakness and Noncompliance with Ohio Admin. Code § 117-2-02(A) for failure to maintain adequate accounting records.	Not Corrected	The Officials have decided to start using the Uniform Accounting Network System to assist the Fiscal Officer in preparing interim and annual financial reports that generate the required Journals and ledgers described above.
2017-008	Material Weakness for lack or monitoring to compensate for the lack of segregation of duties.	Not Corrected	The Officials will require the Fiscal Officer to generate reports that are understandable and accurate so they can monitor the financial activity monthly. The Fiscal Officer will also be responsible for explaining the reports and answering Council's questions relating to them.



Dave Yost • Auditor of State

VILLAGE OF MACKSBURG

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2018