



Dave Yost • Auditor of State

VILLAGE OF MARTINSVILLE
CLINTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Martinsville
Clinton County
101 School Street
Martinsville, Ohio 45146

To the Village Council

Report on the Financial Statements

We were engaged to audit accompanying financial statements and related notes of Village of Martinsville, Clinton County, (the Government) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

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

Basis for Disclaimer of Opinion

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The Village recorded intergovernmental receipts as taxes in the General Fund in the amount of \$2,246 and \$2,269 for years 2012 and 2011, respectively. This represents 9% and 7% of total General Fund revenues for 2012 and 2011, respectively. We also noted the village recorded a receipt for fines, licenses, and permits as miscellaneous in the General Fund in the amount of \$1,902 in 2012. This represents 7% of total General Fund revenue for 2012.

The financial statements for the Village of Martinsville indicate that the General fund had an unassigned fund balance of \$10,264 and \$9,712 in 2012 and 2011 respectively. The financial statements restricted fund balances in the General Fund are misstated due to outstanding encumbrances of \$5,023 at December 31, 2011 and \$3,738 at December 31, 2012 for expenditures the Village is legally obligated to pay. In addition, the Village owed \$57,715 to Highland County Water at December 31, 2011, however the Water Revenue Fund balance was only \$1,995. The Village owed \$113,931 to Highland County Water at December 31, 2012, and the Water Revenue Fund balance was \$9,487. The Village did not adopt a fund balance classification policy. We were unable to determine to what extent the fund balance classification would have been impacted by the past due accounts.

The financial statements for the Village of Martinsville indicate General Government expenditures in the Special Revenue funds totaling \$11,071 and \$9,874 in 2012 and 2011 respectively. This represented 33 and 48 percent of the total special revenue fund expenditures for 2012 and 2011, respectively. The special revenue funds of the Village restrict the expenditures to Public Safety or Transportation, indicating that expenditures are not properly classified. Additionally, the Village paid employees and contract laborers from restricted funds without maintaining proper documentation for amounts totaling \$15,548 in 2011 and \$28,422 in 2012. Had these expenditures not been charged to restricted funds the effect on fund balance would have been to increase the Street Construction and Maintenance and Repair Fund in the amount of \$13,381 to \$17,918, the State Highway Fund in the amount of \$1,900 to \$10,945, the Trash Fund in the amount of \$1,385 to \$2,389, and Water Fund in the amount of \$26,829 to \$36,316.27 and to decrease the General Fund \$43,495 to (\$33,291) in 2012.

We were unable to obtain sufficient evidence to support the completeness of the Water and Trash Revenue Fund Charges for Services receipts for 2012 and 2011 comprising 99.15% and 99.10%, respectively, of operating receipts in the Enterprise Fund Type for 2012 and 2011, 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, 2012 and 2011, comprising 51.18% and 83.21%, respectively, of the Enterprise Fund Type Fund Balance.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were unable to obtain sufficient appropriate audit evidence to support an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2014, 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 initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

June 25, 2014

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**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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$12,816	\$0	\$12,816
Intergovernmental	10,786	17,292	28,078
Special Assessments	0	7,493	7,493
Earnings on Investments	7	13	20
Miscellaneous	1,982	0	1,982
<i>Total Cash Receipts</i>	<u>25,591</u>	<u>24,798</u>	<u>50,389</u>
Cash Disbursements			
Current:			
Security of Persons and Property		7,177	7,177
Transportation		15,358	15,358
General Government	25,039	11,071	36,110
<i>Total Cash Disbursements</i>	<u>25,039</u>	<u>33,606</u>	<u>58,645</u>
<i>Net Change in Fund Cash Balances</i>	552	(8,808)	(8,256)
<i>Fund Cash Balances, January 1</i>	<u>9,712</u>	<u>27,726</u>	<u>37,438</u>
Fund Cash Balances, December 31			
Restricted	0	18,918	18,918
Unassigned (Deficit)	10,264	0	10,264
<i>Fund Cash Balances, December 31</i>	<u><u>\$10,264</u></u>	<u><u>\$18,918</u></u>	<u><u>\$29,182</u></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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund
	Enterprise
Operating Cash Receipts	
Charges for Services	\$117,228
<i>Total Operating Cash Receipts</i>	117,228
Operating Cash Disbursements	
Personal Services	25,126
Employee Fringe Benefits	3,539
Contractual Services	70,261
Other	3,995
<i>Total Operating Cash Disbursements</i>	102,921
<i>Operating Income</i>	14,307
Non-Operating (Disbursements)	
Interest and Other Fiscal Charges	(4,923)
<i>Total Non-Operating Receipts (Disbursements)</i>	(4,923)
<i>Net Change in Fund Cash Balances</i>	9,384
<i>Fund Cash Balances, January 1</i>	12,103
<i>Fund Cash Balances, December 31</i>	\$21,487

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, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$13,185		\$13,185
Intergovernmental	14,908	15,447	30,355
Special Assessments	0	6,869	6,869
Fines, Licenses and Permits	1,844		1,844
Earnings on Investments	9	19	28
Miscellaneous	670		670
<i>Total Cash Receipts</i>	<u>30,616</u>	<u>22,335</u>	<u>52,951</u>
Cash Disbursements			
Current:			
Security of Persons and Property		7,205	7,205
Transportation		3,400	3,400
General Government	35,075	9,874	44,949
<i>Total Cash Disbursements</i>	<u>35,075</u>	<u>20,479</u>	<u>55,554</u>
<i>Net Change in Fund Cash Balances</i>	(4,459)	1,856	(2,603)
<i>Fund Cash Balances, January 1</i>	<u>14,171</u>	<u>25,870</u>	<u>40,041</u>
Fund Cash Balances, December 31			
Restricted	0	27,726	27,726
Unassigned (Deficit)	9,712	0	9,712
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,712</u></u>	<u><u>\$27,726</u></u>	<u><u>\$37,438</u></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 FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund
	Enterprise
Operating Cash Receipts	
Charges for Services	\$110,896
<i>Total Operating Cash Receipts</i>	110,896
Operating Cash Disbursements	
Personal Services	17,447
Employee Fringe Benefits	2,229
Contractual Services	76,013
Other	3,521
<i>Total Operating Cash Disbursements</i>	99,210
<i>Operating Income</i>	11,686
Non-Operating (Disbursements)	
Interest and Other Fiscal Charges	(9,097)
<i>Total Non-Operating Receipts (Disbursements)</i>	(9,097)
<i>Net Change in Fund Cash Balances</i>	2,589
<i>Fund Cash Balances, January 1</i>	9,514
<i>Fund Cash Balances, December 31</i>	\$12,103

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

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Ohio (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 security of persons and property. 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 7 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. 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
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (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 receives 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 Fund - This fund receives charges for services from residents to cover water service costs.

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF MARTINSVILLE
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2012 and 2011 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.

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.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (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.

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 and Investments

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

	2012	2011
Demand deposits	\$50,669	\$49,541
Total deposits	\$50,669	\$49,541

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,546	\$25,591	(\$15,955)
Special Revenue	50,060	24,798	(25,262)
Enterprise	122,999	117,228	(5,771)
Total	\$214,605	\$167,617	(\$46,988)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,348	\$28,777	\$15,571
Special Revenue	45,971	33,606	12,365
Enterprise	175,927	221,775	(45,848)
Total	\$266,246	\$284,158	(\$17,912)

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,933	\$30,616	(\$19,317)
Special Revenue	42,618	22,335	(20,283)
Enterprise	125,165	110,896	(14,269)
Total	<u>\$217,716</u>	<u>\$163,847</u>	<u>(\$53,869)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,130	\$40,098	(\$3,968)
Special Revenue	40,929	21,080	19,849
Enterprise	172,960	170,319	2,641
Total	<u>\$250,019</u>	<u>\$231,497</u>	<u>\$18,522</u>

Contrary to Ohio Rev. Code, Section 5705.41(B), the following funds had expenditures which exceeded appropriations:

2011	Prior Year Carryover Appropriations plus Current Year	Disbursements plus Outstanding Encumbrances	Variances
General Fund	\$36,130	\$40,098	(\$3,968)
Street Lighting Fund	\$7,200	\$7,806	(\$606)

2012	Prior Year Carryover Appropriations plus Current Year	Disbursements plus Outstanding Encumbrances	Variances
Water Revenue Fund	\$154,042	\$202,403	(\$48,361)

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio Rev. Code, Section 5705.36(A) (4), the following funds had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations:

2012	Available Resources plus Beginning Cash Fund Balances	Current Year Appropriations plus Prior Year Carryover Appropriations	Excess
General Fund	\$35,303	\$44,348	(\$9,045)
Water Revenue Fund	\$97,959	\$154,042	(\$56,083)

2011	Available Resources plus Beginning Cash Fund Balances	Current Year Appropriations plus Prior Year Carryover Appropriations	Excess
Water Revenue Fund	\$93,899	\$148,265	(\$54,366)
Refuse Fund	\$20,074	\$22,695	(\$2,621)

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.

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

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

5. Debt

There was no debt outstanding at December 31, 2012. The Village made its final payment in 2012 on an Ohio Water Development Authority (OWDA) loan.

6. 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 2012 and 2011, 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, 2012.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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 judgments, 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, 2012, PEP retained \$350,000 for casualty claims and \$150,000 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 retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately 4,000.

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

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 of membership.

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
4,953	3,203

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 other 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.

8. Related Party Transactions

The following related party transaction occurred during 2012 and 2011:

- Luke Mountjoy, Council Member, appointed Carol Mountjoy (his mother) to Council.
- Carole Robinson (appointed to Council, then elected to Council President) and Rayetta Robinson (appointed Mayor) hired James R. Robinson, grandson and son, respectively, who lived with them.
- Carole Robinson and Rayetta Robinson also hired James C. Robinson, whose address was also the same as Carole and Rayetta Robinson, as a contractor (1099).
- Rick Walker (appointed Council, elected President of Council by Council) purchased a Dodge M37 from the Village for \$500 in January 2011.

9. Jointly Governed Organizations

The constitution and laws of the State of Ohio establish the rights 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
DECEMBER 31, 2012 AND 2011
(Continued)**

10. 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 internal controls and accurately record all financial activity of the Village.

11. Subsequent Events

The following significant events happened after the fiscal year:

- In March of 2013 Sheri Watson, Village fiscal officer resigned. The fiscal officer has been charged with crimes involving village funds. The Village has not reconciled fund balances to the bank.
- Sheri Watson, Fiscal Officer; Carole Robinson, Council Member; Rayetta Robinson, Mayor; James Robinson, employee, and Patience Comberger, Village Administrator were all arrested and charged with crimes involving village funds. James Robinson and Carole Robinson have pled guilty to the charges.
- The Village filed a theft report for parts stolen from that the Village dump truck.
- The Village had an outstanding balance with Highland County Water in the amount of \$94,589 as of June 24, 2014. The Village is in negotiations with Highland County Water to reach an agreement to sell the Village's Water operations to Highland County Water in order to comply with EPA Mandates.
- The Village has an outstanding delinquent balance with Staples Inc.

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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 Martinsville
Clinton County
101 School Street
Martinsville, Ohio 45146

To the Village Council:

We were engaged to audit the financial statements of the Village as of and for the years ended December 31, 2011 and 2012, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements and have issued our report thereon dated June 25, 2014, wherein we disclaimed on the financial statements as a whole due to a lack of sufficient appropriate evidence.

Internal Control Over Financial Reporting

As part of our engagement, we considered the Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Government'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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 Government's financial statements. We consider findings 2012-007 through 2012-008, 2012-010 through 2012-012, and 2012-014 through 2012-015 described in the accompanying schedule of findings to be material weaknesses.

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 2012-013 described in the accompanying schedule of findings to be significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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 engagement 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, 2012-001 through 2012-012, and 2012-014 through 2012-017.

Entity's Response to Findings

The Village's responses to the findings identified in our engagement are described in the accompanying schedule of findings. We did not audit the Government's response(s) 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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 25, 2014

**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation/Finding for Recovery – 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” 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, 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, various automobile parts, food, beer and other miscellaneous items that were not consistent with the type and quantity of services being provided by the Village. Additionally, we were informed that during the audit period, the Village did not own any functioning vehicles.

The Village’s payments to Brown’s Distributing for FY2011 and FY2012 totaled \$11,324. We tested all purchases made from Brown’s Distributing, Inc. during 2011 and 2012, and identified the expenditures made by various Village employees, who were unable to provide sufficient supporting documentation to support the expenditures identified. 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. A description of the 2011 and 2012 charges and payments follows:

The following 59 purchases totaling \$1,423 were charged by James C. Robinson in 2011 and 2012 for gas, batteries, water, and mower parts 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. Invoices were obtained from the vendor:

**FINDING NUMBER 2012-001
(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>
19257	1/12/2011	1026	12/14/2010	\$ 30	Gas
19281	2/9/2011	1031	1/14/2011	20	Gas
19281	2/9/2011	1031	1/18/2011	15	Gas
19281	2/9/2011	1031	1/24/2011	20	Gas
19281	2/9/2011	1031	1/31/2011	20	Gas
19335	3/1/2011	1046	2/28/2011	36	Gas
19397	5/11/2011	1030	3/8/2011	11	Gas
19397	5/11/2011	1030	3/19/2011	38	Gas
19397	5/11/2011	1030	4/1/2011	71	Gas; Battery
19403	5/2/2011	1035	4/6/2011	20	Gas
19403	5/2/2011	1035	4/13/2011	19	Gas
19403	5/2/2011	1035	4/17/2011	20	Gas
19403	5/2/2011	1035	4/28/2011	20	Gas
19403	5/2/2011	1035	4/29/2011	44	Gas
19403	5/2/2011	1035	4/30/2011	14	Gas
19422	7/13/2011	1034	5/10/2011	20	Gas
19422	7/13/2011	1034	5/13/2011	25	Gas
19422	7/13/2011	1034	5/27/2011	22	Gas
19422	7/13/2011	1034	5/29/2011	25	Gas
19450	7/13/2011	1036	6/2/2011	25	Diesel
19450	7/13/2011	1036	6/4/2011	20	Gas
19450	7/13/2011	1036	6/7/2011	25	Gas
19450	7/13/2011	1036	6/16/2011	25	Gas
19450	7/13/2011	1036	6/18/2011	6	Water
19450	7/13/2011	1036	6/22/2011	20	Gas
19450	7/13/2011	1036	6/25/2011	39	2 Interstate Batteries
19450	7/13/2011	1036	6/29/2011	20	Gas
19513	10/12/2011	1037	8/1/2011	20	Gas
19513	10/12/2011	1037	8/6/2011	25	Gas
19513	10/12/2011	1037	8/6/2011	25	Diesel
19513	10/12/2011	1037	8/7/2011	25	Diesel
19513	10/12/2011	1037	8/12/2011	20	Gas
19513	10/12/2011	1037	8/14/2011	20	Gas
19513	10/12/2011	1037	8/15/2011	20	Gas
19513	10/12/2011	1037	8/23/2011	25	Gas
19513	10/12/2011	1037	8/29/2011	20	Gas
19513	10/12/2011	1037	9/9/2011	25	Gas
19513	10/12/2011	1037	9/11/2011	25	Gas
19513	10/12/2011	1037	9/21/2011	25	Gas
19513	10/12/2011	1037	9/24/2011	25	Gas
19556	11/9/2011	1035	10/3/2011	25	Gas
19556	11/9/2011	1035	10/5/2011	40	Fuel
19556	11/9/2011	1035	10/22/2011	25	Gas
19579	12/14/2011	1039	11/1/2011	20	Gas

**FINDING NUMBER 2012-001
 (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>
19579	12/14/2011	1039	11/9/2011	\$20	Gas
19579	12/14/2011	1039	11/15/2011	25	Gas
19608	1/10/2012	1035	12/1/2011	30	Gas
19727	6/13/2012	1037	4/3/2012	20	Gas
19727	6/13/2012	1037	4/12/2012	20	Gas
19727	6/13/2012	1037	4/24/2012	25	Gas
19747	7/11/2012	1034	5/22/2012	29	Gas
19767	8/8/2012	1035	6/28/2012	25	Gas
19767	8/8/2012	1035	6/7/2012	20	Gas
19767	8/8/2012	1035	7/25/2012	24	Gas
19793	9/12/2012	1035	7/18/2012	20	Gas
19793	9/12/2012	1035	8/4/2012	20	Gas
19793	9/12/2012	1035	8/13/2012	20	Gas
19823	10/10/2012	1034	9/15/2012	25	Gas
19852	11/14/2012	1030	10/5/2012	20	Gas
				\$1,423	

Warrants for \$1,423 of the above charges were signed by Village Fiscal Officer Sheri Watson.

We noted the following 199 purchases totaling \$7,856 charged by James R. Robinson in 2011 and 2012 for gas, kerosene, supplies, repairs, cigarettes and food 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. Invoices were obtained from 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>
19257	1/12/2011	1026	12/4/2010	\$107	Gas & Supplies
19257	1/12/2011	1026	12/6/2010	74	Gas & Supplies; Tire repair
19257	1/12/2011	1026	12/8/2010	46	Gas & Supplies
19257	1/12/2011	1026	12/10/2010	53	Gas & Supplies
19257	1/12/2011	1026	12/11/2010	44	Gas & Supplies
19257	1/12/2011	1026	12/12/2010	51	Gas & Supplies
19257	1/12/2011	1026	12/13/2010	19	Gas & Supplies
19257	1/12/2011	1026	12/15/2010	56	Gas & Supplies
19257	1/12/2011	1026	12/16/2010	63	Gas & Supplies
19257	1/12/2011	1026	12/17/2010	2	Starter Fluid
19257	1/12/2011	1026	12/18/2010	78	Gas & Supplies
19257	1/12/2011	1026	12/18/2010	44	Gas & Supplies
19257	1/12/2011	1026	12/20/2010	46	Gas; Propane Tank
19257	1/12/2011	1026	12/22/2010	61	Gas & Supplies
19257	1/12/2011	1026	12/24/2010	53	Gas & Supplies
19257	1/12/2011	1026	12/26/2010	70	Gas & Supplies
19257	1/12/2011	1026	12/27/2010	6	Fixaflat; Sandwich
19257	1/12/2011	1026	12/27/2010	30	Gas & Supplies

**FINDING NUMBER 2012-001
 (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>
19257	1/12/2011	1026	12/29/2010	\$88	Gas & Supplies; Kerosene
19257	1/12/2011	1026	12/30/2010	67	Gas & Supplies
19257	1/12/2011	1026	12/31/2010	56	Gas & Supplies
19281	2/9/2011	1031	1/2/2011	35	Gas & Supplies
19281	2/9/2011	1031	1/4/2011	18	Gas & Supplies
19608	1/10/2012	1035	12/21/2011	64	Gas
19608	1/10/2012	1035	12/27/2011	62	Diesel
19631	2/8/2012	1031	1/5/2012	51	Gas; Fluid; Diesel
19631	2/8/2012	1031	1/9/2012	35	Gas
19631	2/8/2012	1031	1/12/2012	30	Gas
19631	2/8/2012	1031	1/14/2012	25	Gas
19631	2/8/2012	1031	1/19/2012	35	Gas
19631	2/8/2012	1031	1/24/2012	30	Gas
19631	2/8/2012	1031	1/20/2012	25	Gas
19631	2/8/2012	1031	1/25/2012	15	Gas
19650	2/28/2012	1037	2/4/2012	35	Gas; Cigarettes
19650	2/28/2012	1037	2/6/2012	28	Gas
19650	2/28/2012	1037	2/9/2012	35	Gas
19650	2/28/2012	1037	2/13/2012	30	Gas
19650	2/28/2012	1037	2/19/2012	20	Gas
19650	2/28/2012	1037	2/16/2012	26	Gas
19650	2/28/2012	1037	2/18/2012	30	Gas
19650	2/28/2012	1037	2/21/2012	40	Gas; Cigarettes
19650	2/28/2012	1037	2/25/2012	38	Gas
19650	2/28/2012	1037	2/27/2012	20	Gas
19650	2/28/2012	1037	3/1/2012	35	Gas
19650	2/28/2012	1037	3/3/2012	35	Gas
19694	5/9/2012	1038	3/7/2012	25	Gas
19694	5/9/2012	1038	3/5/2012	20	Gas
19694	5/9/2012	1038	3/11/2012	30	Gas
19694	5/9/2012	1038	3/9/2012	40	Gas
19694	5/9/2012	1038	3/12/2012	52	Gas
19694	5/9/2012	1038	3/22/2012	30	Gas
19694	5/9/2012	1038	3/21/2012	29	Gas
19694	5/9/2012	1038	3/26/2012	40	Gas
19694	5/9/2012	1038	3/28/2012	54	Gas
19694	5/9/2012	1038	3/30/2012	36	Gas
19727	6/13/2012	1037	4/1/2012	30	Gas
19727	6/13/2012	1037	4/2/2012	55	Diesel
19727	6/13/2012	1037	4/5/2012	25	Gas
19727	6/13/2012	1037	4/5/2012	45	Gas
19727	6/13/2012	1037	4/12/2012	31	Gas
19727	6/13/2012	1037	4/9/2012	62	Gas
19727	6/13/2012	1037	4/11/2012	43	Gas
19727	6/13/2012	1037	4/13/2012	20	Gas

**FINDING NUMBER 2012-001
(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>
19727	6/13/2012	1037	4/16/2012	\$66	Gas
19727	6/13/2012	1037	4/22/2012	36	Gas
19727	6/13/2012	1037	4/20/2012	32	Gas
19727	6/13/2012	1037	4/24/2012	31	Gas
19727	6/13/2012	1037	4/26/2012	46	Gas
19727	6/13/2012	1037	4/29/2012	10	Gas
19727	6/13/2012	1037	4/28/2012	56	Gas
19747	7/11/2012	1034	5/1/2012	15	Gas
19747	7/11/2012	1034	5/4/2012	3	1/2" Clamps
19747	7/11/2012	1034	5/4/2012	31	Diesel; PS Fluid
19747	7/11/2012	1034	5/6/2012	24	Gas
19747	7/11/2012	1034	5/5/2012	26	Gas
19747	7/11/2012	1034	5/18/2012	15	Gas
19747	7/11/2012	1034	5/11/2012	19	Gas
19747	7/11/2012	1034	5/18/2012	3	PS Fluid
19747	7/11/2012	1034	5/18/2012	26	Gas
19747	7/11/2012	1034	5/20/2012	20	Gas
19747	7/11/2012	1034	5/19/2012	45	Gas
19747	7/11/2012	1034	5/21/2012	65	Gas
19747	7/11/2012	1034	5/25/2012	15	Gas
19747	7/11/2012	1034	5/27/2012	46	Gas
19767	8/8/2012	1035	6/6/2012	17	Gas
19767	8/8/2012	1035	6/11/2012	27	Gas
19767	8/8/2012	1035	6/14/2012	20	Gas
19767	8/8/2012	1035	6/19/2012	28	Gas
19767	8/8/2012	1035	6/21/2012	55	Gas
19767	8/8/2012	1035	6/22/2012	40	Gas
19767	8/8/2012	1035	6/23/2012	11	Gas
19767	8/8/2012	1035	6/26/2012	21	Gas
19767	8/8/2012	1035	6/28/2012	15	Gas; Milk
19767	8/8/2012	1035	7/2/2012	32	Gas; Milk
19767	8/8/2012	1035	7/5/2012	16	Gas
19767	8/8/2012	1035	7/7/2012	31	Gas
19767	8/8/2012	1035	7/9/2012	14	Gas
19767	8/8/2012	1035	7/10/2012	27	Gas
19767	8/8/2012	1035	7/10/2012	6	Clamps
19767	8/8/2012	1035	7/11/2012	33	Gas
19767	8/8/2012	1035	7/13/2012	28	Gas; Oil
19767	8/8/2012	1035	7/15/2012	13	Gas
19767	8/8/2012	1035	7/18/2012	2	Gas
19767	8/8/2012	1035	7/18/2012	10	Gas
19767	8/8/2012	1035	7/14/2012	10	Gas
19767	8/8/2012	1035	7/17/2012	22	Gas
19767	8/8/2012	1035	7/20/2012	30	Gas
19767	8/8/2012	1035	7/22/2012	16	Gas

**FINDING NUMBER 2012-001
(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>
19767	8/8/2012	1035	7/23/2012	\$41	Gas
19767	8/8/2012	1035	7/26/2012	24	Gas
19767	8/8/2012	1035	7/28/2012	75	Gas
19767	8/8/2012	1035	7/29/2012	44	Gas
19793	9/12/2012	1035	8/2/2012	50	Carb Cleaner; Gas
19793	9/12/2012	1035	8/3/2012	106	Battery
19793	9/12/2012	1035	8/3/2012	54	Gas
19793	9/12/2012	1035	8/6/2012	49	Gas
19793	9/12/2012	1035	8/7/2012	72	Gas
19793	9/12/2012	1035	8/8/2012	66	Gas
19793	9/12/2012	1035	8/9/2012	42	Gas
19793	9/12/2012	1035	8/9/2012	47	Gas
19793	9/12/2012	1035	8/14/2012	40	Gas
19793	9/12/2012	1035	8/15/2012	46	Gas
19793	9/12/2012	1035	8/16/2012	67	Gas; Oil
19793	9/12/2012	1035	8/18/2012	53	Gas; Food
19793	9/12/2012	1035	8/20/2012	59	Gas
19793	9/12/2012	1035	8/20/2012	32	Gas
19793	9/12/2012	1035	8/21/2012	59	Gas
19793	9/12/2012	1035	8/23/2012	55	Gas
19793	9/12/2012	1035	8/23/2012	40	Gas
19793	9/12/2012	1035	8/24/2012	41	Gas
19793	9/12/2012	1035	8/25/2012	39	Gas; Food
19793	9/12/2012	1035	8/27/2012	20	Gas
19793	9/12/2012	1035	8/28/2012	51	Gas
19823	10/10/2012	1034	8/29/2012	60	Gas; Beer
19823	10/10/2012	1034	8/31/2012	48	Gas
19823	10/10/2012	1034	9/2/2012	64	Gas
19823	10/10/2012	1034	9/3/2012	40	Gas
19823	10/10/2012	1034	9/4/2012	64	Gas
19823	10/10/2012	1034	9/6/2012	44	Gas
19823	10/10/2012	1034	9/7/2012	19	Gas
19823	10/10/2012	1034	9/7/2012	45	Gas
19823	10/10/2012	1034	9/9/2012	32	Gas
19823	10/10/2012	1034	9/10/2012	65	Gas
19823	10/10/2012	1034	9/15/2012	52	Gas; Oil
19823	10/10/2012	1034	9/16/2012	40	Gas
19823	10/10/2012	1034	9/18/2012	65	Gas
19823	10/10/2012	1034	9/19/2012	52	Gas
19823	10/10/2012	1034	9/21/2012	70	Gas
19823	10/10/2012	1034	9/24/2012	50	Gas
19823	10/10/2012	1034	9/24/2012	63	Gas; Propane Tank
19823	10/10/2012	1034	9/25/2012	38	Gas
19823	10/10/2012	1034	9/27/2012	50	Gas
19823	10/10/2012	1034	9/28/2012	27	Gas

**FINDING NUMBER 2012-001
 (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>
19823	10/10/2012	1034	10/1/2012	\$48	Gas Heat; Towels; Duct tape
19823	10/10/2012	1034	10/2/2012	9	Exhaust; Brakes
19852	11/14/2012	1030	10/4/2012	60	Gas
19852	11/14/2012	1030	10/5/2012	24	Gas; Anti freeze & 2 Heat
19852	11/14/2012	1030	10/7/2012	63	Gas
19852	11/14/2012	1030	10/8/2012	12	Gas
19852	11/14/2012	1030	10/10/2012	18	Gas
19852	11/14/2012	1030	10/12/2012	50	Gas
19852	11/14/2012	1030	10/13/2012	25	Gas
19852	11/14/2012	1030	10/14/2012	68	Gas
19852	11/14/2012	1030	10/15/2012	75	Gas
19852	11/14/2012	1030	10/16/2012	30	Gas
19852	11/14/2012	1030	10/19/2012	19	Gas
19852	11/14/2012	1030	10/23/2012	30	Gas
19852	11/14/2012	1030	10/24/2012	32	Gas
19852	11/14/2012	1030	10/25/2012	33	Gas
19852	11/14/2012	1030	10/26/2012	55	Gas; Tape; Oil
19852	11/14/2012	1030	10/27/2012	43	Gas
19852	11/14/2012	1030	10/29/2012	65	Gas
19852	11/14/2012	1030	10/30/2012	47	Gas
19852	11/14/2012	1030	10/31/2012	56	Gas
19852	11/14/2012	1030	11/1/2012	6	Heat; Brake Fluid
19852	11/14/2012	1030	11/2/2012	50	Gas
19852	11/14/2012	1030	11/3/2012	42	Gas
19876	12/12/2012	1034	11/8/2012	47	Gas
19876	12/12/2012	1034	11/9/2012	37	Gas
19876	12/12/2012	1034	11/10/2012	62	Gas
19876	12/12/2012	1034	11/11/2012	11	Gas
19876	12/12/2012	1034	11/12/2012	39	Gas
19876	12/12/2012	1034	11/13/2012	32	Gas
19876	12/12/2012	1034	11/13/2012	30	Gas; Oil
19876	12/12/2012	1034	11/14/2012	68	Gas
19876	12/12/2012	1034	11/15/2012	55	Gas
19876	12/12/2012	1034	11/16/2012	33	Gas
19876	12/12/2012	1034	11/17/2012	44	Fuel
19876	12/12/2012	1034	11/18/2012	30	Fuel
19876	12/12/2012	1034	11/20/2012	48	Gas
19876	12/12/2012	1034	11/21/2012	42	Gas
19876	12/12/2012	1034	11/23/2012	72	Gas
19876	12/12/2012	1034	11/24/2012	43	Gas; Fuel Additive
19876	12/12/2012	1034	11/25/2012	37	Gas
19876	12/12/2012	1034	11/26/2012	47	Gas
19876	12/12/2012	1034	11/27/2012	3	Batteries
19876	12/12/2012	1034	11/28/2012	37	Gas

**FINDING NUMBER 2012-001
 (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>
19876	12/12/2012	1034	11/29/2012	\$42	Gas
19876	12/12/2012	1034	11/30/2012	45	Fuel
				<u>\$ 7,856</u>	

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

- One purchase totaling \$43 was charged by Sheri Watson, Fiscal Officer in 2011 for gas that was claimed to have been purchased on behalf of the Village, but no supporting mileage was provided for audit.

The warrant for the above charge was signed by Village Fiscal Officer Sheri Watson.

- The following 48 purchase receipts totaling \$2,002 for gas, gas treatment, light bulbs, oil, and batteries 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>
19257	1/12/2011	1026	12/10/2010	\$ 17	No duplicate receipt
19281	2/9/2011	1031	1/3/2011	50	Gas & Supplies
19281	2/9/2011	1031	1/3/2011	50	No duplicate receipt Hoses, Wheel Bearing; Lawn Battery
19471	8/10/2011	n/a	6/28/2011	244	
19471	8/10/2011	n/a	n/a	13	No duplicate receipt
19631	2/8/2012	1031	1/31/2012	35	Gas
19727	6/13/2012	1037	4/3/2012	33	Gas
19747	7/11/2012	1034	6/1/2012	44	Gas 43.38; Bulbs .63
19767	8/8/2012	1035	6/5/2012	25	Gas; Gas Treatment
19767	8/8/2012	1035	6/7/2012	75	Gas
19767	8/8/2012	1035	6/12/2012	11	Gas
19767	8/8/2012	1035	6/15/2012	32	Gas
19767	8/8/2012	1035	6/25/2012	23	Gas; Gas Treatment
19767	8/8/2012	1035	6/27/2012	11	Gas
19767	8/8/2012	1035	6/29/2012	3	Oil

**FINDING NUMBER 2012-001
 (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>
19767	8/8/2012	1035	7/4/2012	\$28	Misc
19767	8/8/2012	1035	7/5/2012	21	Clamps
19767	8/8/2012	1035	7/8/2012	22	Gas
19767	8/8/2012	1035	7/18/2012	17	Gas
19767	8/8/2012	1035	7/22/2012	28	Gas; Oil; Tape; Brake Fluid
19767	8/8/2012	1035	7/26/2012	17	Wipers
19767	8/8/2012	1035	7/28/2012	35	Fuel
19793	9/12/2012	1035	7/31/2012	46	Fuel
19793	9/12/2012	1035	8/5/2012	64	Gas
19793	9/12/2012	1035	8/4/2012	32	Gas
19793	9/12/2012	1035	8/9/2012	63	Gas
19793	9/12/2012	1035	8/11/2012	52	Gas; Oil
19793	9/12/2012	1035	8/22/2012	34	Gas
19793	9/12/2012	1035	8/26/2012	35	Gas
19823	10/10/2012	1034	9/4/2012	33	Gas; Batteries
19823	10/10/2012	1034	9/6/2012	54	Gas
19823	10/10/2012	1034	9/12/2012	66	Gas
19823	10/10/2012	1034	9/14/2012	59	Fuel
19823	10/10/2012	1034	9/30/2012	47	Gas
19823	10/10/2012	1034	9/29/2012	35	Gas
19823	10/10/2012	1034	10/4/2012	23	Gas
19823	10/10/2012	1034	10/3/2012	49	Gas
19852	11/14/2012	1030	10/5/2012	3	Batteries
19852	11/14/2012	1030	10/6/2012	5	WD40
19852	11/14/2012	1030	10/16/2012	40	Gas

**FINDING NUMBER 2012-001
 (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>
19852	11/14/2012	1030	10/21/2012	\$81	Gas; Oil; Oil Treatment; Carb Cleaner
19852	11/14/2012	1030	11/5/2012	53	Gas, Octane Boost Heat
19876	12/12/2012	1034	11/6/2012	66	Fuel
19876	12/12/2012	1034	11/7/2012	44	Gas
19876	12/12/2012	1034	11/8/2012	3	Batteries
19876	12/12/2012	1034	11/14/2012	93	Battery
19876	12/12/2012	1034	11/23/2012	33	Gas
19876	12/12/2012	1034	11/27/2012	55	Gas
				<u>\$2,002</u>	

The warrants for 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 indication of their review and approval for the expenditures identified.

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 C. Robinson in favor of the Village of Martinsville in the amount of one thousand four hundred twenty three dollars (\$1,423). (To the Village's Street Construction, Maintenance, and Repair Fund for \$790, State Highway Fund for \$25, and to the Water Revenue Fund for \$608.)
- James R. Robinson in favor of the Village of Martinsville in the amount of seven thousand eight hundred fifty-six dollars (\$7,856). (To the Village's Street Construction, Maintenance, and Repair Fund for \$6,167, State Highway Fund for \$1,041, and to the Water Revenue Fund for \$648.)
- 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 two thousand and forty-five dollars (\$2,045). (To the Village's Street Construction, Maintenance, and Repair Fund for \$1,473, State Highway Fund for \$365, and to the Water Revenue Fund for \$207.)

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.

**FINDING NUMBER 2012-001
 (Continued)**

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 severely, in the amount of \$9,279 and in favor of the Village of Martinsville.
- Luke Mountjoy, the only duly appointed/elected Council Member of the Village who 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 severely liable, in the amount of \$10,981 and in favor of the Village of Martinsville.

Official's Response:

Current Process: Receipts have to be signed by recipient and stating what the items are for.

FINDING NUMBER 2012-002

Noncompliance Citation/Finding for Recovery – 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" 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 tested all purchases made from KOI Auto Parts during 2011 and 2012, and there was not sufficient evidence to support the expenditures or substantiate proper public purpose. A description of the 2011 and 2012 charges and payments follows.

- We noted the following 19 purchases totaling \$879 charged by James R. Robinson in 2011 and 2012 for truck and car parts, oil, fluids, and other vehicle maintenance and repair supplies:

<u>Check Number</u>	<u>Check Date</u>	<u>Invoice Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19682 - 1	4/11/2012	8-264755	3/14/2012	\$93	Brake pads; Brake Calipers; Brake Cleaner; Anti-seize lub
19682 - 1	4/11/2012	8-265690	3/29/2012	28	Trans Fluid; Starter fluid; Carb gasket plates (for 1994 K1500 1/2 4x4 based on part numbers)
19682 - 1	4/11/2012	8-265689	3/29/2012	(14)	Brake Caliper Core Return
19702 - 1	5/9/2012	8-266188	4/5/2012	24	Filters & Lucas Oil Conditioner (for 1994 K1500 1/2 4x4)

**FINDING NUMBER 2012-002
 (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>
19714 - 1	6/13/2012	8-268730	5/18/2012	\$63	Brake fluid; towels; nuts; pliers; power steering hose
19749 - 1	7/11/2012	8-270655	6/23/2012	18	Chainsaw files; paint; mini pliers
19777 - 1	8/8/2012	8-271519	7/9/2012	47	Spark plugs, wire wheel, pliers, LED light, Paint (for 1987 Chevy Nova)
19777 - 1	8/8/2012	8-271604	7/10/2012	10	Filters, Air Freshners
19777 - 1	8/8/2012	8-272095	7/18/2012	54	Fuel Pump, Gasket, Fuel Cleaner; Fuel Dryer (for 1987 Chevy Nova)
19801 - 1	9/12/2012	8-273728	8/15/2012	66	Towels, Motor Oil, Soldering Iron, Air Cleaner (for 1994 K1500 1/2 4x4)
19849 - 1	11/14/2012	8-277027	10/15/2012	171	U-Joints, U-Bolts, Towels, Pliers, Epoxy, 3pc Pry Bar set, Gear Oil
19849 - 1	11/14/2012	8-277054	10/15/2012	82	Paint, Motor Oil, Grease Gun Kit (for 1994 K1500 1/2 4x4)
19849 - 1	11/14/2012	8-277133	10/16/2012	(2)	U-Joint return/exchange
19849 - 1	11/14/2012	8-277383	10/22/2012	49	ScotchBrite, Paint, Oil
19880 - 1	12/31/2012	8-278290	11/7/2012	31	6" file set, tire gauge, paint
19880 - 1	12/31/2012	8-278365	11/9/2012	5	Flex hose
19880 - 1	12/31/2012	8-278499	11/12/2012	22	Motor mount, liner repair, Sharpneasy (part for 94 K1500 1/2 4x4)
19880 - 1	12/31/2012	8-278778	11/16/2012	44	R134a Refrig
19880 - 1	12/31/2012	8-279288	11/29/2012	88	Paint, 44pc Screwdriver, 11" Long Reach pliers, welding rods, shop mat, Freeze off penetrant, Starter fluid, hand cleaner, dial thermometer (part for 94 K1500 1/2 4x4)
				<u>\$879</u>	

Warrants for \$879 of the above charges were signed by Village Fiscal Officer Sheri Watson.

- We noted the following 4 purchases totaling \$180 from December 2010, paid for in January 2011 for which there was not detail invoices or documentation provided to determine the purchaser or proper public purpose:

**FINDING NUMBER 2012-002
 (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>
19256 - 1	1/30/2011	8-239338	12/6/2010	\$29	Parts for Village; No detailed Invoice
19256 - 1	1/30/2011	8-239468	12/8/2010	8	Parts for Village; No detailed Invoice
19256 - 1	1/30/2011	8-239600	12/10/2010	126	Parts for Village; No detailed Invoice
19256 - 1	1/30/2011	8-239954	12/16/2010	17	Parts for Village; No detailed Invoice
				\$180	

The warrant for the above charges was 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 indication of their review and approval for the expenditures identified.

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 eight hundred seventy-nine dollars (\$879). (To the Village’s Street Construction, Maintenance, and Repair Fund for \$813, and to the State Highway Fund for \$66.)
- 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 one hundred and eighty dollars (\$180). (To the Village’s Street Construction, Maintenance, and Repair Fund for \$180)

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 eight hundred and seventy-nine dollars (\$879). (To the Village’s Street Construction, Maintenance, and Repair Fund for \$813, and to the State Highway Fund for \$66.)
- 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, in the amount of one thousand fifty-nine (\$1,059) and in favor of the Village of Martinsville.

**FINDING NUMBER 2012-002
 (Continued)**

Officials' Response:

The KOI account has been closed and is paid in full.

FINDING NUMBER 2012-003

Noncompliance Citation/Finding for Recovery – 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.

A review of the detailed expense ledger indicated payments for tools, materials, supplies and personally consumable items from Lowe's for FY2011 and FY2012 totaling \$2,689. We tested all purchases made from Lowe's during 2011 and 2012, and identified the expenditures made by a Village employee, who was unable to provide sufficient supporting documentation to support the expenditures identified as being a proper public service.

A description of the 2011 and 2012 charges and payments follows:

- The following 50 purchases totaling \$2,689 were charged by James R. Robinson in 2011 and 2012 for the following items, including, but not limited to, tools, materials, supplies, batteries, Gatorade 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>
19255 - 1	1/30/2011	926578	11/26/2010	\$137	Batteries; 25pc knife set; 3pc Retrieval Set; Butane Refill; Light set
19255 - 1	1/30/2011	926207	12/8/2010	61	Calcium Chloride Pellets; Gatorade; AA battery pack; Sand polish; 1/4" tubing
19255 - 1	1/30/2011	905466	12/9/2010	31	Plastic Bonder Glue; Butane refill; fire starter/liter
19255 - 1	1/30/2011	926937	12/21/2010	75	Light bulbs; Headlamp; AAA batteries; Butane refill; Gatorade; Mt Dew 3/8 by 1/4 adaptor

**FINDING NUMBER 2012-003
(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>
19255 - 1	1/30/2011	926208	12/22/2010	\$152	Gloves; Cell phone holder; AAA battery pack; 4" Curved Jaw Locking pliers; Stretch lite; Kobal tool set.
19293 - 1	2/9/2011	911563	12/27/2010	13	2lb Drain removal
19293 - 1	2/9/2011	926012	1/3/2011	56	2lb Drain removal; lithium batteries (AA); Gatorade 32oz; gloves; vinyl tubing
19293 - 1	2/9/2011	905873	2/23/2011	79	1/6hp Utility Pump; Plumbers putty; PVC Work box; 15A receptacle box
19293 - 1	2/9/2011	905276	2/28/2011	18	1/2" Ball Valve; Graphite Lubricant; Heavy Duty Latch Guard
19293 - 1	2/9/2011	905153	5/31/2011	150	P3816 Gas Chain Saw; Bar & Chain Oil; 2cycle Oil; Hardware
19293 - 1	2/9/2011	905510	7/29/2011	22	Digging Shovel; Mini Round Digger
19602 - 1	1/10/2012	926149	12/15/2011	76	Flashlight; Superfire Lith Battery; AAA Lith Batteries; Stretch light
19602 - 1	1/10/2012	912819	12/22/2011	15	Winter Utility Gloves
19632 - 1	2/8/2012	926591	1/13/2012	11	Stripper; Tape
19645 - 1	3/14/2012	931401	2/1/2012	52	Case Knife; Tin Snips; Blades; 5 gallon w/lid; trowel; quikrete
19680 - 1	4/11/2012	911147	3/23/2012	18	Drywall screws; AAA Lith batteries; plywood
19704 - 1	5/9/2012	912591	3/29/2012	53	Titanium Phillips #2, 1"; 3M Fuel Safety Glasses; Plastic Fractional Digital scale
19704 - 1	5/9/2012	926113	4/2/2012	138	SNS Child Seat; Screws; Safety glasses; Misc Hardware; Coated Cable
19704 - 1	5/9/2012	926640	4/4/2012	4	AAA Battery pack
19704 - 1	5/9/2012	907582	4/16/2012	11	Trimmer line; paint

**FINDING NUMBER 2012-003
 (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>
19718 - 1	6/13/2012	926930	5/2/2012	\$19	3M Fuel Safety Glasses
19718 - 1	6/13/2012	931003	5/16/2012	39	Kobalt 33pc cutoff/rotary; Bolts, washer, nuts
19748 - 1	7/11/2012	926681	6/2/2012	63	3M Fuel Safety Glasses; Kobalt LED Flashlight; Brass Knob
19748 - 1	7/11/2012	929492	6/8/2012	93	Pen Light; AAA Lith Batteries; Kobalt 29c Screwdriver set; Brass Knob
19775 - 1	8/8/2012	926191	6/28/2012	64	3M Fuel Safety Glasses; AA Lith Batteries; Coast Dual Color Flashlight; AAA Lith Batteries
19775 - 1	8/8/2012	926135	7/8/2012	79	Shop towels; sand paper; grinding disc; wire wheel; tool oil; lacquer thinner; gatorade
19775 - 1	8/8/2012	926198	7/11/2012	34	Wire brush; steel rivots; auto primer; lock pack; plastic sheeting
19775 - 1	8/8/2012	926626	7/23/2012	24	Gatorade; shop towels; AAA Lith Batteries; 1/4" ID Vinyl Tubing; 3/8" ID Vinyl tubing
19797 - 1	9/12/2012	926509	8/1/2012	46	Maglite Flashlight; AA Lith batteries; Kobalt blades; pliers
19797 - 1	9/12/2012	926094	8/7/2012	96	Epoxy putty; AA Lith batteries; signs, Soda; candy
19797 - 1	9/12/2012	929975	8/8/2012	85	Gatorade; shop towels; AAA Lith Batteries; Pliers; Butane; candy; lacquer thinner; brush kit
19797 - 1	9/12/2012	926971	8/16/2012	45	AAA Lith batteris; AA Lith batteries; Clorox wipes; 18" tool bag
19818 - 1	10/10/2012	926972	8/27/2012	20	Task Force 47pc Tool Set; AA Lith Batteries; Gatorade
19818 - 1	10/10/2012	926504	8/28/2012	22	1/4" x 5' tubing; Clamps; Gatorade
19818 - 1	10/10/2012	926371	9/4/2012	102	Gloves; 3M Fuel Safety Glasses; 24" Bypass Lopper; Paint; Corona Extendable Handle Hedge trimmers
19818 - 1	10/10/2012	926293	9/6/2012	27	1" Braided pvc tubing; 1/4" tubing; drain remover; Gatorade;
19818 - 1	10/10/2012	926333	9/7/2012	33	Gatorade; candy; 7pc tool set; open/closed Clock; 47pc tool set; 6" knife
19818 - 1	10/10/2012	926855	9/8/2012	16	AAA Lith Batteries; paint; gatorade

**FINDING NUMBER 2012-003
 (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>
19818 - 1	10/10/2012	911277	9/17/2012	\$44	Gatorade; pliers; AA Lith Batteries; AAA Lith Batteries; 3/8" tubing; 1/4" tubing; clamp
19818 - 1	10/10/2012	926378	9/20/2012	19	1/4" tubing; digging shovel; flapper lift wire
19818 - 1	10/10/2012	909827	9/23/2012	12	1/4" tubing; 1/4" compression union
19850 - 1	11/14/2012	926574	10/2/2012	54	Paint; gloves; pen light; AA Lith Batteries; Flexlight; Gatorade; paper towels
19850 - 1	11/14/2012	926005	10/8/2012	4	Penetrating oil
19850 - 1	11/14/2012	909400	10/10/2012	64	High Intensity Flashlight; AAA Lith Batteries; Replacement Warranty
19850 - 1	11/14/2012	909328	10/13/2012	118	8" Duct; AA Lith Batteries; Stripper; Paint; paper towels; 6x6x6 WYE; 8 to 6 reducer
19850 - 1	11/14/2012	912904	10/18/2012	38	1/4 connectors; clamps; AA Lith Batteries; 1/4 tubing; Gatorade
19871 - 1	12/31/2012	931504	11/3/2012	79	AAA Lith Batteries; Kobalt 29pc tool set; masking tape; paint; 3pc knife; PS 28pc nutdriver; 3 pc locking pliers
19871 - 1	12/31/2012	926655	11/6/2012	78	1/4" tubing; Butane; Soda; Gatorade; glue stick; clamp; AA Lith Batteries; compression fittings; Kwikset key
19871 - 1	12/31/2012	909812	11/13/2012	54	Coast 6 chip LED Headlamp; 1/4" tubing; 3/16" tubing; PS 12pc tool set; AA Lith Batteries; Drain cleaner; Gatorade; shop towels
19871 - 1	12/31/2012	908966	11/16/2012	46	AAA Maglite; Gatorade; Butane refill; drain cleaner; AAA Lith Batteries; propane tanks
				<u>\$2,689</u>	

Warrants for \$2,689 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 indication of their review and approval for the expenditures identified.

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 two thousand six hundred eighty-nine dollars (\$2,689). (To the Village's Street Construction, Maintenance, and Repair Fund for \$2,462, and to the Water Revenue Fund for \$227.)

**FINDING NUMBER 2012-003
(Continued)**

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 severely, in the amount of \$2,689 and in favor of the Village of Martinsville.
- Luke Mountjoy, who was the only duly appointed/elected Council Member of the Village and who authorized by vote the voucher listing resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severely, in the amount of \$2,689 and in favor of the Village of Martinsville.

Officials' Response:

The Lowes card has been cancelled and the account is paid in full.

FINDING NUMBER 2012-004

Noncompliance Citation/Finding for Recovery – 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.

A review of the detailed expense ledger indicated minimum monthly payments being made to Staples Office Supply from the Villages General fund during the audit period. There was no supporting purchase receipts or documentation attached to each monthly statement to verify the proper public purpose of the items charged. We obtained images of the signed purchase receipts from Staples for all charges made on the Villages charge account during the audit period. We tested all purchases made to determine if the nature of item purchased was consistent with the purpose and services provided by the Village.

We identified the following charges made by employees on Village's behalf that were determined to not be for a proper public purpose:

- We noted the following 13 purchase charges totaling \$7,504 charged by Sheri Watson, Village Fiscal Officer in 2011 and 2012 for gift cards, consumable items, and computers:

**FINDING NUMBER 2012-004
(Continued)**

<u>Date of Purchase</u>	<u>Register_Trans Number</u>	<u>Amount</u>	<u>Description</u>
3/16/2011	005-53736	\$87	Tissues; Ebay gift cards; bottled water
3/24/2011	005-55377	498	American Express gift cards; bottled water
4/29/2011	005-62261	67	Tissues; Candy; Dryer Balls; bottled water; Wireless headset
5/5/2011	005-63521	1,670	Master Card gift cards; American Express gift cards
5/29/2011	005-68005	1,218	Notebook Laptop; American Express gift card; Pavilion Laptop PC
7/1/2011	005-74109	708	Tissues; Compressed gas; American Express gift cards; snacks; bottled water
7/22/2011	005-78053	472	Master Card gift card; bottled water; Olympus camera; tissues
8/1/2011	005-80037	628	Master Card gift card; American Express gift cards; tissues
8/5/2011	005-81052	170	Master Card gift card; scrapbook supplies; flash drive; Hallmark cards
11/21/2011	005-02759	400	Master Card gift card; American Express gift card; bottled water
1/19/2012	005-14942	675	Master Card gift card; American Express gift card
3/22/2012	001-14141	-	n/a
8/6/2012	005-51472	627	Wireless mouse; USB headset; tissues; Master Card gift card; American Express gift cards;
11/30/2012	006-41861	284	Visa gift card; toilet paper; Applebees gift card; tissues
		<u>\$ 7,504</u>	

- We noted the one purchase totaling \$241 charged by Rayetta Robinson, former Village Mayor in 2012 for a Notebook Computer and 2yr Warranty that was claimed to have been purchased on behalf of the Village, but no supporting documentation or inventory was provided to support the proper public purpose.

**FINDING NUMBER 2012-004
 (Continued)**

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:

- Sheri Watson, 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 seven thousand five hundred twelve dollars (\$7,504). (To the Village’s General Fund)
- Rayetta Robinson, former Village Mayor, jointly and severally, in favor of the Village of Martinsville in the amount of two hundred forty two dollars (\$241). (To the Village’s General Fund)

Officials’ Response:

The Staples card has been cancelled. A balance of \$3400.00 remains and we are working with our Village Solicitor on what will be the best way to pay this debit.

FINDING NUMBER 2012-005

Noncompliance Citation/Finding for Recovery – 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” 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.

The detailed expense ledger indicated payments for tools, materials, supplies and personally consumable items from Tractor Supply Company (TSC) for FY2011 and FY2012 totaling \$880.

We tested all purchases made from TSC during 2011 and 2012, and identified the expenditures made by two Village employees, who were unable to provide sufficient supporting documentation to support the expenditures identified as being a proper public service. A description of the 2011 and 2012 charges and payments follows.

- The following 7 purchases totaling \$331 were charged by James R. Robinson in 2011 and 2012 for a weed-eater, kerosene, materials, supplies, batteries, clothing and soda.

<u>Check Number</u>	<u>Check Date</u>	<u>Ticket Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19269 - 1	1/30/2011	227100040661012	12/12/2010	\$ 23	Flashlight set; drain cleaner; tape
19269 - 1	1/30/2011	227100040661012	12/27/2010	49	5 gal Kerosene; pvc pipe; hose mender
19379 - 1	4/13/2011	55620	3/13/2011	12	Battery connector & terminal end
19705 - 1	5/9/2012	124967	4/16/2012	99	25cc Weedeater
19802 - 1	9/12/2012	121666	8/15/2012	29	Worklight; Cane Knife w/13" blade; Tire patch; Soda

**FINDING NUMBER 2012-005
 (Continued)**

<u>Check Number</u>	<u>Check Date</u>	<u>Ticket Number</u>	<u>Date of Purchase</u>	<u>Purchase Amount</u>	<u>Description</u>
19821 - 1	10/10/2012	124933	9/8/2012	\$12	Spray Paint
19875 - 1	12/12/2012	134045	11/14/2012	107	Batteries; Flashlight; Carhart Greenfield Rev Ha ; Work Insole; Power Station w/cell Hold; Sweatshirt
				\$331	

Warrants for all the above charges were signed by Village Fiscal Officer Sheri Watson.

- One purchase totaling \$549 was charged by Sheri Watson, Fiscal Officer in 2011 for a SUV Salt Spreader that was claimed to have been purchased on behalf of the Village, but no supporting documentation or inventory was provided to support the expenditure as a proper public purpose.

The warrant for the above charge was 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 indication of their review and approval for the expenditures identified.

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 three hundred thirty-one dollars (\$331). (To the Village's Street Construction, Maintenance, and Repair Fund for \$331)
- Sheri Watson in favor of the Village of Martinsville in the amount of five hundred forty-nine dollars (\$549). (To the Village's Street Construction, Maintenance, and Repair Fund for \$549)

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 \$331 and in favor of the Village of Martinsville.
- Luke Mountjoy, Council Member of the Village and authorized by vote 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, in the amount of \$880 and in favor of the Village of Martinsville.

**FINDING NUMBER 2012-005
(Continued)**

Officials' Response:

The Tractor Supply card has been canceled and account is paid in full.

FINDING NUMBER 2012-006

Noncompliance Citation/Finding for Recovery

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.

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. When James R. Robinson was unavailable, the Village hired James C Robinson as a contractor. James R. and James C. Robinson's addresses in the Village's records indicate that they live 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 \$20,948 for the audit period for unsubstantiated work. During 2011, James C. Robinson was paid for maintenance work for the Village (averaging approximately \$475 per month). This was paid as a contract basis and no tax withholdings were made. There was no contract nor were timesheets attached to the voucher. James C. Robinson was paid \$5,700 during the audit period for unsubstantiated work.

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

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 General Fund in the amount of \$20,948.
- James C. Robinson in favor of the Village of Martinsville General Fund in the amount of \$5,700.

**FINDING NUMBER 2012-006
(Continued)**

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 severely, in the amount of \$26,648 and in favor of the Village of Martinsville.
- Luke Mountjoy, the only duly appointed/elected Council Member of the Village who authorized by vote the payments resulting in the finding, and the village liability insurance company, Public Entity Risk Services of Ohio (PERSO), will be jointly and severely, in the amount of \$26,648 and in favor of the Village of Martinsville.

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.

We received no response from officials to this finding.

FINDING NUMBER 2012-007

Noncompliance Citation/Material Weakness/Finding for 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 Street and Water functions of the Village. We identified payroll and related expenditures totaling \$9,848 in 2011 and \$28,422 in 2012 that did not have adequate support to prorate amounts to the special revenue and enterprise funds. We also identified \$5,700 paid as contract labor with no supporting documentation to ensure funds were used for the purposes for which the funds charged were established.

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.

**FINDING NUMBER 2012-007
(Continued)**

In accordance with the foregoing facts, we hereby issue a finding for adjustment in the amount of \$43,495 against the Village of Martinsville General Fund and in favor of the Village of Martinsville Street Construction and Maintenance and Repair Fund in the amount of \$13,381, in favor of the State Highway Fund in the amount of \$1,900, in favor of the Trash Fund in the amount of \$1,385, and in favor of the Water Fund in the amount of \$26,829.

We received no response from officials to this finding.

FINDING NUMBER 2012-008

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-01 requires:

- (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.
- (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:

FINDING NUMBER 2012-008
(Continued)

- (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 utilized the Uniform Accounting Network (UAN) to record financial transactions. Utility billings and receipts were completed in Quick Books.

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 record 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 packet 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 findings 2012-001 through 2012-005;
- Payments were made to individuals for "Street Work" without any documentation showing actual work performed or approval by Council to issue a contract. See finding 2012-007.
- 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 2012-016;
- Manual checks were issued even though the Village is on the UAN system;
- Detailed timesheets were not prepared by hourly employees documenting hours/days worked and services provided. See finding 2012-007;
- 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 proper amounts from proper funds. See finding 2012-006 and 2012-007;

**FINDING NUMBER 2012-008
(Continued)**

- The Village allowed public officials to have interests in contracts. See finding 2012-006.

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.

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; and
- 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.
- The Village should adopt and enforce a policy to prevent related party transactions. See finding 2012-006.

We received no response from officials to this finding.

FINDING NUMBER 2012-009

Noncompliance Citation

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.

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.

FINDING NUMBER 2012-009
(Continued)

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.

Officials' Response:

All Council members and Mayor were elected in the November 2013 election.

FINDING NUMBER 2012-010

Noncompliance Citation/Material Weakness

The OWDA Loan Cooperative Agreement for State Planning Project 5-95, Section 3.2 9 (a) requires the Village to prescribe and charge such rates for the services of the system as shall result in pledged revenues at least adequate to provide for the payments required for the loan.

Ohio Rev. Code, Section 735.273, states that the village administrator appointed under **Ohio Rev. 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 for audit a complete listing of utility customers as of December 31, 2011 and 2012. Several different billing lists were provided, including a list for labels to send out bills, 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.

**FINDING NUMBER 2012-010
(Continued)**

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 \$57,715 to HCW at December 31, 2011, however the Water Revenue Fund balance was only \$1,995. The Village owed \$113,931 to HCW at December 31, 2012, and the Water Revenue Fund balance was \$9,487. 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 meet their OWDA Loan Agreement.

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.

The OWDA agreement allows for the OWDA to seek a court order to force the Village to increase their billing rates. The Village Administrator can be held personally liable for misappropriation of utility assets.

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 and to meet the terms of the OWDA agreement.. 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.

- 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 UAN system.
- 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 description and location.

Officials' Response:

The OWDA loan is paid in full. Meters are being read and overage rate of \$7.00 per thousand applied for usage over 5000 gallon.

FINDING NUMBER 2012-011

Noncompliance Citation/Material Weakness

Ohio Rev. 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 expended, all property owned by the Village and income derived thereof, and all taxes and assessments.

Ohio Admin. 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 Admin. 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.

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. We were also provided documentation showing that the Village intended to apply the deposit to the customer's account for payment. However, the entry was posted to the UAN system as a fund balance adjustment to beginning fund balance. This resulted in the following misstatement:
 - Beginning Water Deposit fund balance was understated, while the beginning Water operating fund balance was overstated in the amount of \$1,000.
 - The Water Deposit fund did not show the activity for the application of the payment to the customer's account while the Water operating did not show the corresponding revenue in the amount of \$1,000.
- The Village records provided for audit included a list of water consumers billed by name instead of household address. We were also provided a listing by address that was completed subsequent to the audit period that indicated there were more homes that had water service than were included in the billing. We were unable to agree the billing amounts to either of the listings.

**FINDING NUMBER 2012-011
 (Continued)**

- The Village Fiscal Officer completed monthly reports to show the amount billed and collected. The amounts billed did not appear to be consistent with the approved rates. The amount collected was tied to the UAN receipts. However, the Village did not reconcile the subsidiary system to the UAN system in a manner that would identify changes to the subsidiary ledger. We noted adjustments to the UAN receipts for returned checks, but no indication of collection in the UAN system. We were not provided any support to determine if accounts were adjusted in the subsidiary record.
- 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 has not utilized the account coding within the UAN system that allows transactions to be presented accurately on the financial statements. We noted the following errors in debt and receipt transactions because the Village failed to properly utilize the UAN account coding:

Year	Fund	Amount	Actual Presentation	Proper Posting	Description
2011	General	\$500	Miscellaneous Revenue	Proceeds from the Sale of Assets	Revenue collected for the sale of a village vehicle
2011	General	\$2,269	Tax revenue	Intergovernmental revenue	Homestead and rollback revenue
2011	Water	\$8,223	Interest and Other fiscal Charges	Principal Retirement	Principal amount of debt payment.
2012	General	\$2,246	Tax revenue	Intergovernmental revenue	Homestead and rollback revenue
2012	General	\$1,902	Miscellaneous Revenue	Fines, Licenses and Permits revenue	Cable franchise fee revenue
2012	Water	\$4,254	Interest and Other fiscal Charges	Principal Retirement	Principal amount of debt payment.

- The Village did not post receipts at the gross amount and show the amounts withheld as expenditures. Receipts and expenditures should be increased as follows:

Amount	Expenditure Coding	Revenue Coding	Description
\$846	2012 General Fund General Government Expenditure	2012 General Fund Tax Revenue	Fees withheld from apportionment
\$267	2012 Street Lighting Fund Public Safety Expenditure	2012 Street Lighting Fund Special Assessments	Fees withheld from apportionment
\$620	2011 General Fund General Government Expenditure	2011 General Fund Tax Revenue	Fees withheld from apportionment
\$234	2011 Street Lighting Fund Public Safety Expenditure	2011 Street Lighting Fund Special	Fees withheld from apportionment

**FINDING NUMBER 2012-011
(Continued)**

- The Village appropriations recorded in the UAN system did not agree to the appropriations resolution and the estimated receipts in the UAN system did not agree to the certificate of estimated resources.

Failure to accurately prepare and reconcile the accounting records:

- 1) reduces the accountability over Village funds,
- 2) reduces the Councils' ability to monitor financial activity and make informed financial decisions,
- 3) increases the likelihood that moneys will be misappropriated and not detected, and
- 4) increases the likelihood that the Village's financial statements will be misstated.

We recommend the following:

- The Village Fiscal Officer should maintain the Village's accounting records in accordance with the Ohio Administrative Code.
- The Village should review the chart of account. The fiscal officer should post transactions to the proper account codes and the Village officials should review the Fiscal Officer's work to ensure proper coding.
- The Village should develop procedures to ensure that the fiscal officer is booking all receipts at the gross amount and recording applicable expenditures.

We received no response from officials to this finding.

FINDING NUMBER 2012-012

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section § 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

**FINDING NUMBER 2012-012
(Continued)**

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

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 4 of 5 (80%) transactions tested for 2011 and 2 of the 5 (40%) transactions tested for 2012. The Village reported no outstanding encumbrances for the years ending December 31, 2011 and 2012; however, per our review we noted material unrecorded encumbrances in the General fund of \$5,023 and 3,738 respectfully. Additionally, we noted in both years that Blanket Purchase Orders were utilized, however, there is no documentation to support that a limit sum was established by Council.

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 that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used. Additionally, we recommend Council pass an ordinance establishing the limit amount of Blanket Certificates.

As a result, the financial statements restricted fund balances in the General Fund are misstated due to outstanding encumbrances of \$5,023 at December 31, 2011 and \$3,738 at December 31, 2012 for expenditures the Village is legally obligated to pay.

We received no response from officials to this finding.

FINDING NUMBER 2012-013

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:

**FINDING NUMBER 2012-013
(Continued)**

- 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 October 10, 2012 and December 12, 2012 minute records were not in the record book.
- The Village conducted formal business prior to meetings.
- Resolutions numbers were not issued in numerical order and there were resolutions adopted that were not recorded in the minutes.
- Resolution descriptions did not provide enough detail to understand the general purpose of the resolution.
- Appointments to Council and Mayor were not made in accordance with Ohio Revised Code and not properly documented in the Minutes. See finding 2012-009

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.
- Minutes should identify all resolutions and the purpose of resolutions with a general description in the minutes.
- 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 locating specific actions of the Council and would help ensure the safekeeping of the minutes.

Officials' Response:

Minutes since April 2013 have been recorded in a pre-numbered log book and digitally recorded.

FINDING NUMBER 2012-014

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency.

At December 31, 2012, and 2011, the Village had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations as follows:

**FINDING NUMBER 2012-014
 (Continued)**

2012	Available Resources	Total Appropriations	Deficiency
General Fund	\$35,303	\$44,348	(\$9,045)
Water Revenue Fund	\$97,959	\$154,042	(\$56,083)

2011	Available Resources	Total Appropriations	Deficiency
Water Revenue Fund	\$93,899	\$148,265	(\$54,366)
Refuse Fund	\$20,074	\$22,695	(\$2,621)

Failure to monitor budgetary activity could result in overspending and negative fund balances.

We recommend that the Village comply with the above Ohio Revised Code Section and obtain an amended certificate when necessary.

We received no response from officials to this finding.

FINDING NUMBER 2012-015

Noncompliance Citation/Material Weakness

Ohio Rev. 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:

2011	Prior Year Carryover Appropriations plus Current Year	Disbursements plus Outstanding Encumbrances	Variances
General Fund	\$36,130	\$40,098	(\$3,968)
Street Lighting Fund	\$7,200	\$7,806	(\$606)

2012	Prior Year Carryover Appropriations plus Current Year	Disbursements plus Outstanding Encumbrances	Variances
Water Revenue Fund	\$154,042	\$202,403	(\$48,361)

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

We received no response from officials to this finding.

FINDING NUMBER 2012-016

Noncompliance Citation/Finding for Recovery – 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 24 payments totaling \$630 to Carole Robinson for internet reimbursement during 2011 and 2012. There was no supporting documentation provided for audit. All reimbursements require supporting documentation to show the purpose of the expenditure and ensure the proper amount is paid from the proper funds.

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 Carole Robinson for \$630 in favor of the Village of Martinsville 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 \$630 and in favor of the Village of Martinsville.

Luke Mountjoy, the only duly appointed/elected Council Member of the Village who authorized by vote 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, in the amount of \$605 and in favor of the Village of Martinsville.

Officials’ Response:

Reimbursements require a receipt, that is then matched with the check and all council members sign off before check is issued.

FINDING NUMBER 2012-017

Noncompliance Citation/Finding for Recovery – Mileage 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.

During testing we identified the following payments to Sheri Watson for estimated future expenses including travel, phone, and internet. No supporting documentation was provided to evidence the actual expenditures.

Warrant Number	Warrant Date	Warrant Amount	Purpose
19267	1/30/2011	\$2,070	estimated Jan to Aug 2011 expenses
19377	4/12/2011	1,233	estimated Sept to Dec 2011 expenses
19577	12/14/2011	1,663	estimated Jan-June 2012 expenses
19655	4/3/2012	1,815	estimated July to Dec 2012 expenses
19848	11/14/2012	3,442	estimated Jan-Dec 2013 expenses
		\$10,220	

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 for \$10,220 in favor of the Village of Martinsville 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:

Luke Mountjoy, the only duly appointed/elected Council Member of the Village who authorized by vote 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, in the amount of \$10,220 and in favor of the Village of Martinsville.

We received no response from officials to this finding.

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**VILLAGE OF MARTINSVILLE
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	ORC 733.28 and 117-2-02(D)- Failure to accurately report Enterprise activity	No	Not Corrected. Reissued as part of finding 2012-011
2010-02	ORC 5705.41 (D)- Failure to properly encumber.	No	Not Corrected. Reissued as finding 2012-002
2010-03	Water deposit listings were not maintained.	No	Not Corrected. Reissued as part of finding 2012-011
2010-04	OWDA loan non-compliance for failing to charge an appropriate rate.	No	Not Corrected. Reissued as finding 2012-010
2010-05	ORC 5705.36(A)(4)- Failure to obtain an amended certificate	No	Not Corrected. Reissued as finding 2012-014
2010-06	ORC 5705.09(F)-Failure to post to revenue proper funds.	Yes	Corrected
2010-07	ORC 5705.10- Failure to post expenditures to the proper fund.	No	Not Corrected. Reissued as 2012-007
2010-08	ORC 735.273 and OAC 117-2-02(D)- The Village administrator did not perform statutory duties or have the required accounting records.	No	Not Corrected. Reissued as part of finding 2012-011
2010-09	Failure to maintain an adequate system of internal controls	No	Not Corrected. Reissued as finding 2012-008
2010-10	ORC 5705.36(A)4-Failure to request a reduced amended certificate	No	Not Corrected. Reissued as 2012-014
2010-11	ORC 5705.36(A)2-failure to request an amended certificate when available	No	Finding not issued because the certificate was not required. Finding 2012-014 was issued for the required changed to the amended certificate.

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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
AUGUST 26, 2014**