



***VILLAGE OF MACKSBURG
WASHINGTON COUNTY***

Regular Audit

**For the Years Ended
December 31, 2018 and 2017**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Macksburg
P. O. Box 166
Macksburg, Ohio 45766

We have reviewed the *Independent Auditor's Report* of the Village of Macksburg, Washington County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 17, 2019

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VILLAGE OF MACKSBURG, WASHINGTON COUNTY

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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Macksburg, Washington County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Members of Council
Village of Macksburg, Washington County
Independent Auditor's Report

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

As described in Note 2 of the December 31, 2018 and 2017 financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of American (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Macksburg, Washington County as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2019 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

September 23, 2019

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Other Local Taxes	\$8,311	\$440	\$8,751
Intergovernmental	18,473	9,419	27,892
Charges for Service	200	0	200
Earnings on Investments	8	0	8
Miscellaneous	199	0	199
Total Cash Receipts	27,191	9,859	37,050
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	7,471	634	8,105
Leisure Time Activities	4,307	0	4,307
Community Environment	106	0	106
Basis Utility Services	2,298	0	2,298
Transportation	2,227	10,056	12,283
Total Cash Disbursements	16,409	10,690	27,099
Cash Receipts Over (Under) Cash Disbursements	10,782	(831)	9,951
Fund Cash Balances, January 1	479	7,648	8,127
Restricted	0	9,441	9,441
Unassigned	11,261	(2,624)	8,637
Fund Cash Balances, December 31	\$11,261	\$6,817	\$18,078

See accompanying notes to the financial statements.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 1 – Reporting Entity

The Village of Macksburg, Washington County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government, street lighting. The Village reimburses Aurelius Township Trustees, one-half the cost of the fire contract for Aurelius Township for services from Caldwell Fire Company.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

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

State/Local Government Highway Fund – The State/Local Government Highway Fund is funded through the state for maintenance of street within the Village.

Municipal Permissive Fund – The Municipal Permissive Fund is provided The Ohio Department of Public Safety. Even though a minimal amount, used to repair and maintain streets within the Village.

Special Assessment Fund (Street Lights) – These received through property taxes are used to help offset the costs of Street Lights within the Village limits.

Basis of Accounting

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2018

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is 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:

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

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.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2018

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.

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.

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

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

Note 3 – Compliance

The Village had not prepared ledgers for fund accounting. These records were created and are available for review. Budgets were prepared after the fact as well as appropriations. Amended Certificates were prepared after the fact, so that to make the Village books auditable.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Receipts			
Fund Type	Budgeted	Actual	Variance
General	\$0	\$27,191	\$27,191
Special Revenue	0	9,859	9,859
<i>Total</i>	\$0	\$37,050	\$37,050

2018 Budgeted vs. Actual Budgetary Disbursements			
Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$0	\$16,409	(\$16,409)
Special Revenue	0	10,690	(10,690)
<i>Total</i>	\$0	\$27,099	(\$27,099)

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 5 – Deposits and Investments

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	<u>December 31, 2018</u>
Demand Deposit	\$18,078

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes area 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. The second half payment is due the following June 20.

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

Note 7 – Retirement Systems

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2018, the OPERS member contributed 10% of gross salary and the Village contributed an amount equaling 14% of the participant's gross salary. The Village has paid all contributions required through December 31, 2018.

Note 8 – Risk Management

Commerical Insurance

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2018

Note 9 – Fund Cash Balances

As of December 31, 2018, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Road Maintenance & Improvement	\$0	\$7,331	\$7,331
Grants	0	2,110	2,110
<i>Total Restricted</i>	\$0	\$9,441	\$9,441
 <i>Unassigned</i>			
	11,261	(2,624)	8,637
	\$11,261	\$6,817	\$18,078

Note 10 – Contingent Liabilities

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Other Local Taxes	\$1,669	\$424	\$2,093
Intergovernmental	13,761	8,872	22,633
Charges for Service	200	0	200
Earnings on Investments	6	0	6
Miscellaneous	2,103	0	2,103
Total Cash Receipts	<u>17,739</u>	<u>9,296</u>	<u>27,035</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	6,652	0	6,652
Security of Persons and Property	3,684	0	3,684
Public Health Services	139	0	139
Basis Utility Services	2,534	0	2,534
Transportation	6,712	10,284	16,996
Total Cash Disbursements	<u>19,721</u>	<u>10,284</u>	<u>30,005</u>
Cash Receipts Over (Under) Cash Disbursements	(1,982)	(988)	(2,970)
Fund Cash Balances, January 1 (As Restated, See Note 9)	<u>2,461</u>	<u>8,636</u>	<u>11,097</u>
Restricted	0	10,712	10,712
Unassigned	479	(3,064)	(2,585)
<i>Fund Cash Balances, December 31</i>	<u><u>\$479</u></u>	<u><u>\$7,648</u></u>	<u><u>\$8,127</u></u>

See accompanying notes to the financial statements.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 1 – Reporting Entity

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VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

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Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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VILLAGE OF MACKSBURG, WASHINGTON COUNTY

Notes to the Financial Statements

For the Years Ended December 31, 2017

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Note 3 – Compliance

The Village had not prepared ledgers for fund accounting. These records were created and are available for review. Budgets were prepared after the fact as well as appropriations. Amended Certificates were prepared after the fact, so that to make the Village books auditable.

Note 4 – Budgetary Activity

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Receipts			
Fund Type	Budgeted	Actual	Variance
General	\$0	\$17,739	\$17,739
Special Revenue	0	9,296	9,296
<i>Total</i>	\$0	\$27,035	\$27,035

2017 Budgeted vs. Actual Budgetary Disbursements			
Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$0	\$19,721	(\$19,721)
Special Revenue	0	10,284	(10,284)
<i>Total</i>	\$0	\$30,005	(\$30,005)

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 5 – Deposits and Investments

The Village maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The Village had no investments at year end. The carrying amount of cash at year end was as follows:

	<u>December 31, 2017</u>
Demand Deposit	\$8,127

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes area 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. The second half payment is due the following June 20.

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

Note 7 – Retirement Systems

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, the OPERS member contributed 10% of gross salary and the Village contributed an amount equaling 14% of the participant's gross salary. The Village has paid all contributions required through December 31, 2017.

Note 8 – Risk Management

Commerical Insurance

The Village has obtained commercial insurance for the following risks:

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2017

Note 9 – Prior Period Adjustment

The Village made audit adjustments proposed in the prior years to their beginning cash balances. This resulted in a restatement of the prior period cash balance.

	General	Special Revenue
Fund Balance at December 31, 2016	\$9,361	\$2,776
Prior cash audit adjustments made by Village	(6,900)	5,860
Adjusted Fund Balance at December 31, 2016	\$2,461	\$8,636

Note 10 – Fund Cash Balances

As of December 31, 2017, fund balances are composed of the following:

	General	Special Revenue	Total
<i>Restricted:</i>			
Road Maintenance & Improvement	\$0	\$8,602	\$8,602
Grants	0	2,110	2,110
<i>Total Restricted</i>	0	10,712	10,712
 <i>Unassigned</i>			
	479	(3,064)	(2,585)
	\$479	\$7,648	\$8,127

Note 11 – Contingent Liabilities

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

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards***

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Macksburg, Washington County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 23, 2019, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all 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. We consider findings 2018-006, 2018-007 and 2018-010 to be material weaknesses.

Village Council
Village of Macksburg, Washington County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2018-001 through 2018-009.

Entity's Response to Findings

The Village's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

September 23, 2019

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

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

Finding Number 2018-001

Noncompliance

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

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

The Village's prepares cash-basis financial reports. Accordingly, the financial reports were required to be submitted to the Auditor of State within sixty days of the year end. However, the Village did not file the annual report for the years ending December 31, 2017 and 2018 until July 26, 2019 and July 29, 2019, respectively. This was because the Village did not prepare or maintain proper financial records during the year.

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

Officials' Response: As the current fiscal officer, appointed in July 2019, the reports have been made and filed with the state, however, they were late. I do note that these reports were filed as soon as I could complete after them following my appointment. The financial reports will be filed on a timely basis.

Finding Number 2018-002

Noncompliance

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

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-002 (Continued)

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

Official's Response: As the current fiscal officer, appointed in July of 2019, the Village employees have been enrolled in OPERS, as well as the fiscal officer. Elected officials, including members of council and the mayor have exempted themselves from OPERS.

Finding Number 2018-003

Noncompliance

Ohio Rev. Code § 5705.10(1) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Street Light Fund had a deficit cash balance from January 1, 2017 through December 31, 2018 ranging from negative \$3,488 to negative \$2,624. A deficit cash fund balance indicates that money from one fund was used to cover the expenses of another fund.

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

Official's Response: As the current fiscal officer, appointed in July 2019, the Village has made use of and using the UAN accounting system. The use of the UAN will help eliminate negative fund balances, by making balances more readily available when issuing checks.

Finding Number 2018-004

Noncompliance

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

The Village officials did not file the certificate with the County Auditor for 2017 or 2018. As a result the Village officials were unable to properly budget its expenditures, which did, in fact, lead to expending more money than is available in certain special revenue funds during the period.

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-004 (Continued)

Official's Response: As the current fiscal officer appointed in July 2019, the total amount of expenditure and unencumbered balances will be made available to the county auditor. It is noted that I did prepare these for both 2017 and 2018, but they were not filed with the Auditor, until 2019. 2019 year end balances and expected revenue were filed in July of 2019.

Finding Number 2018-005

Noncompliance

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

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

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

The Village never adopted 2017 or 2018 appropriations nor was appropriations filed with the County Budget Auditor. As a result, 100% of expenditures were made absent of legal appropriations.

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

Official's Response: As the current fiscal officer appointed in July 2019, appropriations were made and filed with the county auditor in 2019, for the fiscal years 2017 and 2018. These reports were filed late, but I realized they had not been filed previously, and did so. These reports were shared with the Village Council and Mayor for the prior years, with explanation as well.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-006

Noncompliance and Material Weakness

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This section also provides two exceptions to the above requirements:

- Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time or the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the (legislative authority) upon completion of a then and now certificate.

All transactions tested had no certification attached and some transactions were not certified prior to the purchase commitment. There was no indication that “then and now” certificates were used. It was found that the Village did not use purchase orders for any of their disbursements.

The Village should issue a valid purchase order with the signature of the fiscal officer prior to making any purchase commitment. In those events when commitments are made prior to obtaining the fiscal officer’s certificate, the Village should employ the allowable provision of law under this section, Ohio Revised Code Section 5705.41(D), and secure a “then and now” certificate.

Officials Response: As the current fiscal officer, appointed in July 2019, purchase orders were not used by the prior fiscal officers. I have initiated purchase orders on the UAN system, effective in 2019.

Finding Number 2018-007

Noncompliance and Material Weakness

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

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

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction;

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-007 (Continued)
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2. Receipts ledger, which typically assembles and classifies receipts into separate account for each type of receipt of each fund the public office uses. The amount, date, name of payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger; and
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

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

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

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

During the audit period, the Village did not maintain, or did not complete a receipts ledger, appropriation ledger that maintained running balances. The new Village Fiscal Officer was able to recreate these ledgers after the year end for audit purposes.

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

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

Official's Response: As the current fiscal officer, appointed in July 2019, I have put the Village bookkeeping on the UAN system, effective January 1, 2019. The Cash Journal, Receipts ledger and Appropriation Ledgers I reconstructed from some vouchers and apportionment sheets, but mostly from check stubs and bank statements, for the fiscal years 2017 and 2018.

Payroll ledger and monthly payroll sheets are kept, effective 2019. I did create these for 2018 and filed the necessary payroll documents and payments to the Federal and State institutions.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

<i>Finding Number 2018-008</i>

Noncompliance and Material Weakness

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

Fund balances at December 31, 2017 were not properly classified according GASB 54 which would have resulted in the following fund balance classifications:

- Street Construction, Maintenance and Repair Fund ending balance of \$3,340 would have been reclassified as restricted.
- State Highway Fund ending balance of \$2,580 would have been reclassified as restricted.
- Permissive Motor Vehicle License Tax Fund ending balance of \$2,682 would have been reclassified as restricted.
- Playground Grant ending fund balance of \$1,800 would have been reclassified as restricted.
- Clean-Up Grant ending fund balance of \$310 would have been reclassified as restricted.

Fund balances at December 31, 2018 were not properly classified according GASB 54 which would have resulted in the following fund balance classifications:

- Street Construction, Maintenance and Repair Fund ending balance of \$4,090 would have been reclassified as restricted.
- State Highway Fund ending balance of \$863 would have been reclassified as restricted.
- Permissive Motor Vehicle License Tax Fund ending balance of \$2,378 would have been reclassified as restricted.
- Playground Grant ending fund balance of \$1,800 would have been reclassified as restricted.
- Clean-Up Grant ending fund balance of \$310 would have been reclassified as restricted.

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

Official's Response: Fund Balance Classifications will be changed to Restricted for the Street Construction Maintenance and Repair, State Highway, Permissive MVL, Playground and Cleanups Funds.

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-009

Noncompliance

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

The Village did not maintain copies of the Federal 941 Forms documenting the federal income tax liability and remittances for the first, second and third quarters of 2018.

Furthermore, the Fiscal Officer did not remit any withholdings for all of 2017 and first, second and third quarters of 2018. We recommend that the Village review this issue and submit the required withholdings and forms.

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

Official's Response: The current fiscal officer appointed in July of 2019 has prepared and submitted the 941 forms for 2018 as well as the payments due and for 2019 to date. Quarterly reports 941 will be filed timely.

Finding Number 2018-010

Material Weakness

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

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

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

VILLAGE OF MACKSBURG, WASHINGTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-010 (Continued)

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

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

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

Inquiries relevant to overall Village operations:

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

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

Official's Response: As the current fiscal officer, appointed July 2019, financial reports are prepared and viewed by Mayor and Council at each meeting. The fiscal officer asks each to sign as they view. Explanations are made overall and detailed when asked. Reports available at each meeting include: Cash Journal, Receipts Ledger, Appropriations Ledger, Appropriation Status; Payments of bills listing for current and past month; Fund Status Report.

VILLAGE OF MACKSBURG
PO BOX 166
MACKSBURG, OHIO 45746
 Jerry Williams, Mayor; Darla Haas, Fiscal Officer 740-783-2012

*Schedule of Prior Audit Findings
 For the Years Ended December 31, 2018 and 2017*

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2016-001	Finding for Recovery – Repaid Under Audit	Corrected	N/A
2016-002	Noncompliance with Ohio Rev. Code 117.38 for not filling the annual report for 2017 and 2018.	Not Corrected	Reissued as Finding 2018-001
2016-003	Noncompliance with Ohio Rev. Code 145.03(A) for not enrolling employees in OPERS.	Not Corrected	Reissued as Finding 2018-002
2016-004	Noncompliance with Ohio Rev. Code 5705.36 The Street Light Fund had a deficit balance.	Not Corrected	Reissued as Finding 2018-003
2016-005	Noncompliance with Ohio Rev. Code 5705.36 The Village officials did not file the certificate with the County Auditor for 2017 or 2018.	Not Corrected	Reissued as Finding 2018-004
2016-006	Noncompliance with Ohio Rev. Code 5705.38(A)The Village never adopted 2017 or 2018 appropriations nor were appropriations filed with the County Budget Auditor.	Not Corrected	Reissued as Finding 2018-005
2016-007	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Not Corrected	Reissued as Finding 2018-007
2016-008	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Corrected	N/A
2016-009	Finding for Adjustment, Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Not Corrected	Reissued as Finding 2018-008
2016-010	Noncompliance 26 U.S.C. 3402 The Village did not maintain copies of the Federal 941 Forms.	Not Corrected	Reissued as Finding 2018-009
2016-011	Material Weakness for lack of monitoring to compensate for the lack of segregation of duties.	Not Corrected	Reissued as Finding 2018-010

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF MACKSBURG

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2019**