



**Auditor of State
Betty Montgomery**

VILLAGE OF JACKSONBURG
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Village of Jacksonburg
Butler County
4610 Middletown Oxford Road
Middletown, Ohio 45042

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 10, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Jacksonburg
Butler County
4610 Middletown Oxford Road
Middletown, Ohio 45042

To the Village Council:

We have audited the accompanying financial statements of the Village of Jacksonburg, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Jacksonburg, Butler County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 10, 2006

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,023		\$1,023
State Shared Taxes and Permits		\$369	369
Intergovernmental Receipts	25,316	1,011	26,327
Charges for Services	324		324
	<u>26,663</u>	<u>1,380</u>	<u>28,043</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,219		5,219
Community Environment	250		250
Basic Utility Services	5,955		5,955
General Government	13,292		13,292
	<u>24,716</u>	<u>0</u>	<u>24,716</u>
Total Receipts Over Disbursements	1,947	1,380	3,327
Fund Cash Balances, January 1	93,696	15,422	109,118
Fund Cash Balances, December 31	<u>\$95,643</u>	<u>\$16,802</u>	<u>\$112,445</u>
Reserves for Encumbrances, December 31	<u>\$130</u>	<u>\$0</u>	<u>\$130</u>

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

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,213	\$7	\$1,220
State Shared Taxes and Permits		395	395
Intergovernmental Receipts	24,351	840	25,191
Charges for Services	296		296
Miscellaneous	6		6
	<u>25,866</u>	<u>1,242</u>	<u>27,108</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,295		2,295
Community Environment	240		240
Basic Utility Services	5,335		5,335
General Government	14,505		14,505
	<u>22,375</u>	<u>0</u>	<u>22,375</u>
Total Receipts Over Disbursements	3,491	1,242	4,733
Fund Cash Balances, January 1	<u>90,205</u>	<u>14,180</u>	<u>104,385</u>
Fund Cash Balances, December 31	<u>\$93,696</u>	<u>\$15,422</u>	<u>\$109,118</u>
Reserves for Encumbrances, December 31	<u>\$388</u>	<u>\$0</u>	<u>\$388</u>

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

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Jacksonburg, Butler County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides refuse collection services. The Village contracts with the Butler County Sheriff's department to provide security of persons and property. The Village contracts with Wayne Township, Butler County to receive fire protection services.

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

B. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash Deposits

The Village maintains a general checking account.

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:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

State Highway Improvement Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing state highways.

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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.

3. 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. 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 2004 and 2003 budgetary activity appears in Note 3.

F. 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 CASH DEPOSITS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$112,445</u>	<u>\$109,118</u>

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

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$26,663	\$26,663
Special Revenue	0	1,380	1,380
Total	\$0	\$28,043	\$28,043

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,305	\$24,846	(\$2,541)
Special Revenue	0	0	0
Total	\$22,305	\$24,846	(\$2,541)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,995	\$25,866	(\$1,129)
Special Revenue	1,350	1,242	(108)
Total	\$28,345	\$27,108	(\$1,237)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$22,305	\$22,763	(\$458)
Special Revenue	0	0	0
Total	\$22,305	\$22,763	(\$458)

The Village did not certify to the county auditor their Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for FY 2003.

The General Fund had appropriations exceeding estimated revenue during 2004 in the amount of \$22,305.

Disbursements exceeded appropriations in 2003 in the General Fund in the amount of \$458 and in 2004 in the amount of \$2,541.

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. RETIREMENT SYSTEMS

All employees pay into Social Security. As of December 21, 2004 all payments have been made.

6. COMPLIANCE

The Village did not properly maintain the books and exhibit accurate statements of all monies received and expended.

The Village Clerk was not properly bonded for 2003 and 2004.



**Auditor of State
Betty Montgomery**

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

Village of Jacksonburg
Butler County
4610 Middletown Oxford Road
Middletown, Ohio 45042

To the Village Council:

We have audited the financial statements of the Village of Jacksonburg, Butler County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 10, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-009.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated January 10, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-006. In a separate letter to the Village's management dated January 10, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 10, 2006

VILLAGE OF JACKSONBURG
BUTLER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation/Reportable Condition

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient 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 as required by Ohio Admin. Code Section 117-2-03. Per Ohio Admin. Code Section 117-2-02(C) and (D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The Village maintained a receipt ledger during the audit period; however, the ledger did not include estimated receipts and declining balances. The receipt ledger was not reconciled to the cash journal for 2004 or 2003. In addition, 2003 receipts were posted to the cash journal but not the receipt ledger. The receipt ledger was not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report. The Village also maintained an appropriation ledger during the audit period to record disbursements; however, the ledger did not include appropriations, encumbrances, and declining unencumbered appropriation balances. The appropriation ledger was not totaled and did not utilize account classifications to facilitate preparation of the Village's annual financial report.

All of these conditions exhibit a lack of control over the recording and reporting of the Village's financial activity and did result in inaccurate accounting records.

We recommend the Village reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. We also recommend that the Village incorporate estimated receipts and appropriations within the ledgers and monitor these amounts on a regular basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Village's ledgers and financial reports.

FINDING NUMBER 2004-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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.

- A. "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.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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.

- B. 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.
- C. 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.

Seventy-one percent of all transactions in 2004 and sixty-four percent of all transactions in 2003 were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but 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 Clerk-Treasurer certify that the 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.

**FINDING NUMBER 2004-002
(Continued)**

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.36, requires the fiscal officers of subdivisions and other taxing units, on or about the first day of each fiscal year, to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The Village did not certify to the County Auditor their Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for fiscal year 2003. Failing to certify to the County Auditor can lead to improper monitoring and overspending. We recommend that the Village properly certify all budgetary documents to the County Auditor.

FINDING NUMBER 2004-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.39, provides that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The General Fund had appropriations exceeding estimated revenue during fiscal year 2004 in the amount of \$22,305. The Village did not provide proof that the County Auditor's certificate had been executed for 2003 and 2004. Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Village more closely monitor estimated resources versus appropriations to ensure that appropriations do not exceed estimated resources as submitted to the County Auditor and County Budget Commission. We also recommend that the Village execute all budgetary documents required by the Ohio Revised Code so that all budgetary documents are effective.

FINDING NUMBER 2004-005

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 705.27, provides, in part, that municipal treasurers and auditors are required to give a bond to the municipal corporation for the faithful performance of their duties. **Ohio Rev. Code, Section 733.69**, further provides that any officer of a municipal corporation required by law to give a bond must do so before taking office. The Village Clerk was not bonded for 2003 or 2004, which could lead to loss of funds. Additionally, pursuant to **Ohio Rev. Code, Section 3.30**, the office of village clerk is to be considered vacant if that person fails to give a bond prior to taking office. We recommend that the Clerk obtain the proper bonding.

FINDING NUMBER 2004-006

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), & (D), prohibits a subdivision from making an expenditure unless it has been properly appropriated. Disbursements exceeded appropriations in fiscal year 2003 in the General Fund in the amount of \$458 and \$2,541 in fiscal year 2004. The following funds had expenditures which exceeded appropriations significantly at the legal level of control in the General Fund at December 31, 2004 and 2003:

Line Item	Appropriation	Expenditures	Variance
Traffic Signals – Supplies and Materials (2004)	\$500	\$4,605	(\$4,105)
Storm Sewers and Drains – Contractual Services (2004)	500	1,350	(850)
Traffic Signals – Supplies and Materials (2003)	500	1,836	(1,336)
Storm Sewers and Drains – Contractual Services (2003)	500	1,000	(500)

There were other immaterial line items in which expenditures exceeded appropriations. Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Clerk deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2004-007

Reportable Condition

All local public offices should maintain payroll records including:

- W-2's, W-4's and other withholding records and authorizations.
- Payroll journal that records, assembles and classifies by pay period the name of the employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a 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.
- Information, by employee, regarding leave balances and usage.

**FINDING NUMBER 2004-007
(Continued)**

The following control weaknesses were noted in the system for processing payroll:

- A payroll ledger is not kept showing the gross pay, the deductions, and the net pay.
- Salaries are approved by Council as a monthly rate, but employees are only paid two or four times a year.
- State and federal tax withholding forms were not completed and taxes were not withheld from the paychecks.

Failure to establish a favorable control environment could result in a material misstatement, overpayment, or unauthorized payment relating to payroll expenditures.

The following procedures should be applied to ensure that a favorable control environment is in place to identify misstatements:

- A payroll ledger should be maintained for each official and employee of the Village. The payroll ledger should maintain his/her gross pay for the period, the deductions taken, the net pay, and the check number used to pay the employee or official.
- Council should approve a policy for when employees and officials will be paid.

All employees and officials should complete state and federal withholding forms and if required have state and federal tax withheld from his/her checks.

FINDING NUMBER 2004-008

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and the collection and compilation of the data needed for the timely preparation of financial statements, as well as verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Village did not maintain a list of outstanding checks and bank reconciliations were only completed at the end of the year for 2004 and 2003. When monthly reconciliations are not performed and supporting documentation is not maintained for the reconciliation, errors can go undetected. We recommend the Clerk perform monthly reconciliations and keep all supporting documentation with the reconciliations.

FINDING NUMBER 2004-009

Reportable Condition

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's staff does not allow for an adequate segregation of duties. The Clerk handles all the financial record keeping including receipting, posting, and reconciling to the depository. This allows for potential diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner. It is therefore important that the Village Council monitor financial activity.

**FINDING NUMBER 2004-009
(Continued)**

To maintain continuing accountability and to strengthen internal accounting controls, officials should periodically review the records to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. For each regular board meeting, the Clerk should provide Council with detailed budget and actual financial statements, cash balances, checks paid, outstanding encumbrances and bank reconciliations. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 733.28 and Ohio Admin. Code Section 117-2-02(A): maintaining proper books and records	No	Partially Corrected; Repeated as Finding 2004-001
2002-002	Ohio Rev. Code Section 5705.38: passage of appropriations	Yes	
2002-003	Ohio Rev. Code Section 5705.41(D): the availability of funds was not certified for certain commitments	No	Not Corrected; Repeated as Finding 2004-002
2002-004	Segregation of Duties	No	Not Corrected: Repeated as Finding 2004-009
2002-005	Processing of Payroll	No	Not Corrected; Repeated as Finding 2004-007
2002-006	Monthly Bank Reconciliations	No	Not Corrected; Repeated as Finding 2004-008



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**VILLAGE OF JACKSONBURG
BUTLER 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
FEBRUARY 9, 2006**