



Dave Yost • Auditor of State





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Village of Jacksonburg  
Butler County  
Middletown, Ohio

We have completed certain procedures in accordance with Ohio Rev. Code Section 117.01(G) to the accounting records and related documents of the Village of Jacksonburg, Butler County, (the Village) for the years ended December 31, 2014 and 2013.

Our procedures were designed solely to satisfy the audit requirements of Ohio Rev. Code Section 117.11(A). Because our procedures were not designed to opine on the Village's financial statements, we did not follow *generally accepted auditing standards*. We do not provide any assurance on the Village's financial statements, transactions or balances for the years ended December 31, 2014 and 2013.

The Village's management is responsible for preparing and maintaining its accounting records and related documents. Our responsibility under Ohio Rev. Code Section 117.11(A) is to examine, analyze and inspect these records and documents.

Based on the results of our procedures, we found the following significant compliance or accounting issues to report.

## Current Year Observations

1. We noted that General Fund disbursements plus encumbrances of \$30,835 exceeded appropriations of \$26,625 for the year ended December 31, 2013. Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. We recommend that the Village monitor budgetary activity and obtain supplemental appropriations throughout the year. Failure to limit disbursements by appropriations can lead to negative fund balances.
2. We noted that General Fund appropriations of \$19,118 exceeded estimated resources of \$0 for the year ended December 31, 2014. Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the County Auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the total official estimate or amended official certificate. Contrary to this section, the Village had appropriations exceeding estimated revenues in the General Fund by \$19,118 at December 31, 2014.

The Village did not obtain the required certification from the County Auditor for fiscal year 2014. Failure to properly monitor budgetary activity could result in overspending and negative fund balances. We recommend that the Village monitor their appropriations versus their estimated resources. We also recommend that the Village execute all budgetary documents required by the Ohio Revised Code so that all budgetary documents are effective. This was also reported in the prior report for failure to obtain the required certification in 2012.

3. **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 § 117-2-03. Per Ohio Admin. Code § 117-2-02(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 2013 or 2014. The receipt ledger 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 did not utilize account classifications to facilitate preparation of the Village's annual financial report.

The annual financial report was prepared using the receipts and appropriations ledgers while the cash journal was used for the end of the year bank reconciliations. The Village should agree the cash ledger to the receipts and appropriations ledger so that transactions are properly recorded in all ledgers. All of these conditions exhibit a lack of control over the recording and reporting of the Village's financial activity.

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. This was also reported in the prior audit report.

4. When designing the public office's system of internal control and the specific control activities, management should ensure that accounting records are properly designed. 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.

The Village does not maintain a payroll ledger showing the gross pay, the deductions, and the net pay. We consider this a control weakness in the system for processing payroll.

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.

This was also reported in the prior audit report.

#### **Current Status of Matters We Reported in our Prior Engagement**

1. In addition to the items noted above, our prior audit engagement for the years ended December 31, 2012 and 2011 included findings related to properly certifying expenditures in accordance with Ohio Rev. Code Section 5705.41(D)(1) and that on or about the first day of each fiscal year the Village is to pass an appropriation measure in accordance with Ohio Rev. Code Section 5705.38(A). The Village corrected these matters for the years ended December 31, 2014 and 2013.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 29, 2015

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**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  
OCTOBER 13, 2015**