



OHIO AUDITOR OF STATE
KEITH FABER



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

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, 2018 and 2017.

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, 2018 and 2017.

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. **Ohio Admin. Code § 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:
 - A. 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.
 - B. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
 - C. 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 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 encumbrances or declining unencumbered appropriation balances. The appropriation ledger did not utilize account classifications to facilitate preparation of the Village's annual financial report. The Village also failed to integrate its budgetary amounts into its accounting system. Failure to follow these requirements could result in material misrepresentation of the Village's financial condition.

We recommend the Village integrate budgetary amounts into its accounting system and perform monthly cash reconciliations. 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.

- 2. Ohio Rev. Code § 5705.36(A)** states that "On or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority."

Ohio Rev. Code § 5705.39 states that "the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established."

The Village did not certify its estimated resources for both 2017 and 2018 to the County Auditor. As a result, appropriations exceeded estimated resources by the following amounts:

For 2018, \$9,850 for the General Fund and \$1,000 for the Street Construction, Maintenance and Repair Fund.

For 2017, \$8,850 for the General Fund and \$500 for the Street Construction, Maintenance and Repair Fund.

Failure to certify estimated resources to the County Auditor can result in overspending and negative fund balances.

We recommend that the Village certify estimated resources to the County Auditor annually in accordance with the Ohio Revised Code.

- 3. Ohio Rev. Code §117.38** requires entities to file their financial information in the HINKLE system within 60 days after the close of the fiscal year.

The Village filed both its 2017 and 2018 financial reports on July 29, 2019, which was after the respective deadlines of March 1, 2018 and March 1, 2019.

We recommend that the Village file its financial reports in accordance with ORC §117.38. This was also reported in the prior audit report.

4. In 2017 and 2018, the Village made disbursements of \$285 and \$263, respectively, to a council member to install and remove holiday flags. While these payments are not inconsistent with the Village's function, the amounts were improperly classified as security of persons and property rather than general government in the Village's financial statements. Additionally, the 2017 transaction was incorrectly charged to the Street Construction, Maintenance and Repair Fund rather than the General Fund. Also, the 2018 transaction was incorrectly treated as a payroll disbursement and had deductions of \$22 for Social Security and Medicare withheld. Classifying this amount as payroll also caused the Village to exceed its policy of paying its council members \$600 per year in two semi-annual installments.

Failure to accurately post financial activity and monitor financial activity increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

We recommend that due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and to assist in properly reflecting the Village's financial activity.

Current Status of Matters Reported in our Prior Engagement

1. **Ohio Admin. Code § 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:
 - A. 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.
 - B. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
 - C. 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 2015 or 2016. 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 Village of Jacksonburg did not correct this matter during 2018 and 2017. See item 4 in "Current Year Observations."

2. **Ohio Rev. Code §117.38** requires entities to file their financial information in the HINKLE system within 60 days after the close of the fiscal year.

For the year ending December 31, 2015 the filing deadline was February 29, 2016. For the year ending December 31, 2016 the filing deadline was March 1, 2017. The Village filed both the 2015 and 2016 annual reports on the HINKLE system on July 31, 2017 which resulted in a late filing for both years.

The Village of Jacksonburg did not correct this matter during 2018 and 2017. See item 3 in "Current Year Observations."

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

September 13, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
NOVEMBER 7, 2019**