



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF JACKSONBURG
BUTLER COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To 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, 2000 and 1999. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Jacksonburg
Butler County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 25, 2001

**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, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$992	\$0	\$992
Intergovernmental Receipts	28,127	1,485	29,612
Total Cash Receipts	29,119	1,485	30,604
Cash Disbursements:			
Current:			
Security of Persons and Property	1,267		1,267
Community Environment	1,519		1,519
Basic Utility Services	4,406		4,406
General Government	10,887		10,887
Total Cash Disbursements	18,079	0	18,079
Total Receipts Over/(Under) Disbursements	11,040	1,485	12,525
Fund Cash Balances, January 1	64,892	9,957	74,849
Fund Cash Balances, December 31	\$75,932	\$11,442	\$87,374

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, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$801	\$0	\$801
Intergovernmental Receipts	28,767	1,399	30,166
Miscellaneous	78		78
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	29,646	1,399	31,045
Cash Disbursements:			
Current:			
Community Environment	27		27
Basic Utility Services	4,395		4,395
General Government	18,701		18,701
Capital Outlay	9,000		9,000
	<hr/>	<hr/>	<hr/>
Total Disbursements	32,123	0	32,123
Total Receipts Over/(Under) Disbursements	(2,477)	1,399	(1,078)
Fund Cash Balances, January 1	67,369	8,558	75,927
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$64,892</u>	<u>\$9,957</u>	<u>\$74,849</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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jacksonburg, Butler County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental 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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 permissive motor vehicle tax money for constructing, maintaining and repairing Village streets.

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

D. Cash and Deposits

The Village maintains a general checking account.

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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, object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 in the subsequent year. The Village did not encumber obligations as required by Ohio law. However, there were no material outstanding encumbrances outstanding at December 31, 2000 and 1999.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 87,374	\$ 74,849

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

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000, and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,191	\$ 29,119	\$ (72)
Special Revenue	0	1,485	1,485
Total	\$ 29,191	\$ 30,604	\$ 1,413

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$ 18,079	\$ (18,079)
Special Revenue	0	0	0
Total	\$ 0	\$ 18,079	\$ (18,079)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,995	\$ 29,646	\$ (349)
Special Revenue	0	1,399	1,399
Total	\$ 29,995	\$ 31,045	\$ 1,050

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,975	\$ 32,123	\$ (5,148)
Special Revenue	0	0	0
Total	\$ 26,975	\$ 32,123	\$ (5,148)

Contrary to Ohio law, the 2000 appropriation resolution was not passed by Council and not filed with the County Auditor and the 1999 appropriation resolution was not passed until February 7, 1999, which caused expenditures to exceed appropriations in the General Fund for both 2000 and 1999.

**VILLAGE OF JACKSONBURG
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. RETIREMENT SYSTEMS

All employees pay into Social Security. As of December 31, 2000, all payments have been made.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

7. MATERIAL NONCOMPLIANCE

Contrary to the Ohio Administrative Code, the Village did not follow the uniform accounting system as prescribed by the Auditor of State.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 accompanying financial statements of the Village of Jacksonburg, Butler County, Ohio (the Village), as of and for the years ended December 31, 2000, and 1999, and have issued our report thereon dated June 25, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30409-001 through 2000-30409-004.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 25, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be a reportable condition. 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 judgement could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30409-002, 2000-30409-005, and 2000-30409-006.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

Village of Jacksonburg
Butler County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2000-30409-002 to be a material weakness.

We also noted other matters involving internal controls over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated June 25, 2001

This report is intended for the information and use of management, and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 25, 2001

VILLAGE OF JACKSONBURG
BUTLER COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

FINDING NUMBER 2000-30409-001

Material Noncompliance

Ohio Rev. Code, §117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for villages which is set forth in Ohio Administrative Code Chapter 117-5. The Village did not comply in the following instances:

1. Ohio Admin. Code, Sections 117-5-04 and 117-5-07 establishes guidelines for the proper coding of receipts. The Village's current system of accounting does not provide for the proper classification of receipts in the General Fund.
2. Ohio Admin. Code, Sections 117-5-05, 117-5-06, and 117-5-08, establishes guidelines for the proper coding and classification of disbursements. The Village's current system of accounting does not provide for the proper classification of disbursements.
3. Ohio Admin. Code, Section 117-5-10, requires that a village post to each receipt account the estimated amount of money to be received into the account as specified by the County Budget Commission. Also, receipts should be entered in the "Amount Received" column and in the "Credit" column and subtracted from the budget estimate amount ("Balance"). The Village did not post estimated receipts to the receipts ledger.
4. Ohio Admin. Code, Section 117-5-11, requires a village to maintain an appropriation ledger in a complete and accurate form as prescribed. The Village did not maintain a complete, accurate and reliable ledger. Appropriations were not recorded.

To improve the accuracy and reliability of financial information used by management and other users of the reported financial statements, we recommend the Village maintain receipt and appropriation ledgers as prescribed by the Ohio Admin. Code. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. Receipts should be posted by fund and line item, with a running balance maintained. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

FINDING NUMBER 2000-30409-002

Material Noncompliance/Material Weakness

Ohio Rev. Code, §5705.38, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority desires to postpone the passage of the annual appropriation resolution measure until an amended certificate of estimated resources is received from the County Budget Commission, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1, when the permanent appropriations must be passed. **Ohio Rev. Code, §5705.39** states that 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 and filed with the County Auditor. The permanent appropriations for 2000 was not approved by Council and was not filed with the County Auditor, and funds were expended during the year. The permanent appropriations for

FINDING NUMBER 2000-30409-002 (Continued)

1999 was not approved by Council until February 7, 1999. There were no temporary appropriations for 1999, and funds were expended prior to the adoption of the permanent appropriations, which was filed with the County Auditor on February 5, 1999.

The Village's current system of internal control does not address the need for consistent preparation and monitoring of budgetary financial information. The lack of such controls: 1) reduces the Village's ability to determine its financial status at any given time; 2) may result in the delay of funds received by the County Auditor; and 3) may result in obligations being incurred without the available resources.

The budgeted receipts and appropriations from these documents should be accurately recorded in the respective ledgers as prescribed in the Ohio Administrative Code. On a monthly basis, detailed budget and actual financial statements should be presented to Council for review. Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information and accept the information officially in the minutes.

FINDING NUMBER 2000-30409-003

Material Noncompliance

Ohio Rev. Code, §5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

An appropriation resolution was not passed for the fiscal year 2000. All expenditures throughout the year were not properly appropriated. At December 31, 2000 expenditures exceeded appropriations by \$18,079.

At December 31, 1999, expenditures exceeded appropriations in the amount of \$5,148, and during the year expenditures exceeded appropriations starting December 3, 1999 and until the end of the year. Expenditures exceeded appropriations at the legal level of control (fund, function, object) at December 31, 1999 in the following:

<u>Fund</u>	<u>Function</u>	<u>Object</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Amount Exceeded</u>
General Fund	Basic Utility Services	Contractual Services	\$ 5,203	\$ 10,307	\$ 5,104
General Fund	Transportation	Contractual Services	0	2,015	2,015
General Fund	General Government	Contractual Services	1,100	3,591	2,491
General Fund	General Government	Personal Services	14,628	13,002	1,626

FINDING NUMBER 2000-30409-004

Material Noncompliance

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

FINDING NUMBER 2000-30409-004 (Continued)

This section also provides for two exceptions to the above requirements:

- A. 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 of the certificate, appropriated and free of any previous encumbrances, the Village Council 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.
- B. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

None of the purchase orders were certified by the Clerk-Treasurer.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be done for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.

FINDING NUMBER 2000-30409-005

Reportable Condition

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.

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.

FINDING NUMBER 2000-30409-006

Reportable Condition

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.
- The appropriation ledger and the cash journal would show the checks at gross pay, while the actual check was written for the net pay amount.
- 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 if required.

FINDING NUMBER 2000-30409-006 (Continued)

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

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.



STATE OF OHIO
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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
JULY 17, 2001**