



**VILLAGE OF JERRY CITY
WOOD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF JERRY CITY
WOOD COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Jerry City
Wood County
P.O. Box 298
Jerry City, Ohio 43437-0298

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 6, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Jerry City
Wood County
P.O. Box 298
Jerry City, Ohio 43437-0298

To the Village Council:

We have audited the accompanying financial statements of the Village of Jerry City, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005. 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.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter in the Village's Mayor's Court to support all Agency Fund activity in 2005 and 2006 and the 2005 fines, license and permits revenue reported in the General Fund. The fines, licenses and permits revenue reported in the General Fund represent 100 percent of the 2005 fines, licenses and permits revenue of the General Fund and 14 percent of the total revenue for 2005 of the General Fund.

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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005, 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidential matter for all the Agency Fund activity and the 2005 General Fund, fines, licenses and permits revenue, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Jerry City, Wood County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Village made a restatement to their 2004 financial statements for their Mayor's Court activity and also indicated the Mayor's Court was discontinued in 2006.

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 November 6, 2007, 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.



Mary Taylor, CPA
Auditor of State

November 6, 2007

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$12,913	\$13,803	\$26,716
Intergovernmental	10,967	44,940	55,907
Special Assessments		3,976	3,976
Fines, Licenses and Permits	1,397		1,397
Earnings on Investments		6	6
Miscellaneous	4,884		4,884
	<u>30,161</u>	<u>62,725</u>	<u>92,886</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	6,226	17,200	23,426
Transportation		4,893	4,893
General Government	30,349	998	31,347
Debt Service:			
Redemption of Principal	2,125	16,691	18,816
Interest and Fiscal Charges	247	599	846
Capital Outlay		21,119	21,119
	<u>38,947</u>	<u>61,500</u>	<u>100,447</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(8,786)</u>	<u>1,225</u>	<u>(7,561)</u>
Other Financing Receipts :			
Sale of Fixed Assets	<u>3,150</u>		<u>3,150</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(5,636)	1,225	(4,411)
Fund Cash Balances, January 1	<u>2,861</u>	<u>43,010</u>	<u>45,871</u>
Fund Cash Balances, December 31	<u>(\$2,775)</u>	<u>\$44,235</u>	<u>\$41,460</u>

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

VILLAGE OF JERRY CITY
WOOD COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Agency</u>
Operating Cash Disbursements:	
Service Charges and Fees	<u>\$59</u>
Operating Loss	<u>(59)</u>
Fund Cash Balance, January 1	<u>\$59</u>
Fund Cash Balance, December 31	<u><u>\$59</u></u>

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

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$12,810	\$14,958	\$27,768
Intergovernmental	25,063	57,817	82,880
Special Assessments		4,265	4,265
Fines, Licenses and Permits	7,148		7,148
Miscellaneous	4,436		4,436
	<u>49,457</u>	<u>77,040</u>	<u>126,497</u>
Total Cash Receipts			
	<u>49,457</u>	<u>77,040</u>	<u>126,497</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	11,794	21,522	33,316
Public Health Services	170		170
Leisure Time Activities	10,475		10,475
Basic Utility Service		26,385	26,385
Transportation		15,881	15,881
General Government	23,049	2,265	25,314
Debt Service:			
Redemption of Principal	2,017	17,090	19,107
Interest and Fiscal Charges	318	1,043	1,361
	<u>47,823</u>	<u>84,186</u>	<u>132,009</u>
Total Cash Disbursements			
	<u>47,823</u>	<u>84,186</u>	<u>132,009</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,634</u>	<u>(7,146)</u>	<u>(5,512)</u>
Other Financing Receipts:			
Sale of Fixed Assets		500	500
		<u>500</u>	<u>500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>1,634</u>	<u>(6,646)</u>	<u>(5,012)</u>
Fund Cash Balances, January 1	<u>1,227</u>	<u>49,656</u>	<u>50,883</u>
Fund Cash Balances, December 31	<u><u>\$2,861</u></u>	<u><u>\$43,010</u></u>	<u><u>\$45,871</u></u>

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

VILLAGE OF JERRY CITY
WOOD COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Agency</u>
Operating Cash Receipts:	
Fines, Licenses and Permits	<u>\$5,271</u>
Operating Cash Disbursements:	
State and Village Payments	5,151
Contractual Services	1,035
Service Charges and Fees	<u>237</u>
Total Operating Cash Disbursements	<u>6,423</u>
Operating Loss	<u>(1,152)</u>
Fund Cash Balance, January 1	<u>1,211</u>
Fund Cash Balance, December 31	<u><u>\$59</u></u>

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

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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 Jerry City, Wood County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides park operations, police and fire services. The Village appropriates general fund money to help support a volunteer fire department.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Village uses fund accounting to segregate cash that is 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Fire Equipment Fund -This fund receives levy money and grants to purchase fire equipment for the volunteer fire department.

Fire Operating Fund -This fund receives levy money to pay operating cost of the volunteer fire department which provides fire protection for the Village.

Water Grant Fund -This fund received federal grants to construct an elevated water tank and cover the cost of water hook-ups for low-income Village households.

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for the Mayor's Court.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The Village 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. The Village did not use the encumbrance method of accounting for 2006 or 2005.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

E. 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.

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. CORRECTION OF AN ERROR

The Mayor's Court began in 2004 and the cash balance was not included within the December 31, 2004, financial report. The Agency Fund January 1, 2005, balance was increased by \$1,211. The Mayor's Court was discontinued in 2006.

3. EQUITY IN POOLED CASH

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

	2006	2005
Demand deposits	\$41,460	\$45,930

Deposits are insured by the Federal Depository Insurance Corporation.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,831	\$33,311	(\$4,520)
Special Revenue	52,648	62,725	10,077
Total	\$90,479	\$96,036	\$5,557

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,456	\$38,947	\$2,509
Special Revenue	83,676	61,500	22,176
Total	\$125,132	\$100,447	\$24,685

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,381	\$49,457	\$14,076
Special Revenue	107,860	77,540	(30,320)
Total	\$143,241	\$126,997	(\$16,244)

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,784	\$47,823	(\$13,039)
Special Revenue	125,602	84,186	41,416
Total	\$160,386	\$132,009	\$28,377

5. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for the year ended December 31, 2005, in the General fund by \$13,039 and for the year ended December 31, 2006 in the Street Light, Fire Protection and Fire Equipment funds by \$467, \$10,354, and \$6,116, respectively.

Contrary to Ohio law, revenues and expenses were charged to incorrect fund resulting in adjustments to the financial statements.

Contrary to Ohio law, records supporting the Mayor's Court financial activity in 2005 and 2006 and the 2005 cashbook were not available for audit.

Contrary to Ohio law, temporary appropriations were not adopted prior to adoption to permanent appropriations, which were adopted in March 2005 and April 2006.

Contrary to Ohio law, December 31, 2006, deficit fund balances existed in the General, Fire Operating and Fire Equipment funds. The Village currently has no plan for eliminating these deficits.

6. PROPERTY TAX

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 are 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. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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.

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Obligation	<u>\$2,095</u>	7.292%

The Mortgage Obligation was issued to finance the purchase of the Village Hall. A portion of the hall is leased to the U.S. Postal Service for \$3,360 per year.

The final payment on the above debt, including interest, for the year ending December 31, 2007 is \$2,187.

8. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland Marine and
- Errors and omissions.

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Mary Taylor, CPA

Auditor of State

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

Village of Jerry City
Wood County
P.O. Box 298
Jerry City, Ohio 43437-0298

To the Village Council:

We have audited the financial statements of the Village of Jerry City, Wood County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 6, 2007, wherein we noted a restatement in the Agency fund for the Mayor's Court, we were unable to obtain sufficient evidential matter to support all activity in the Agency fund, 2005 revenues in the General fund, the Mayor's Court was discontinued in 2006, and the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 6, 2007.

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 2006-001 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 6, 2007.

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 6, 2007

**VILLAGE OF JERRY CITY
WOOD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation/Material Weakness

Ohio Revised Code § 5705.10(D) provides, in part, that all revenue derived from a specific source shall be credited to a special fund for that purpose for which the monies were received.

The 2005 Village financial records reflected disbursements for insurance for the fire department that were posted to the Street Construction, Maintenance and Repair fund which should have been posted to the General fund.

The 2006 Village financial records reflected disbursements for animal nuisance that were posted to the Street, Construction, Maintenance and Repair fund which should have been posted to the General fund and Intergovernmental revenue was credited to the General fund that should have been credited to the Fire Operating and Fire Equipment funds. Below is the effect that these adjustments had on the respective funds:

	General	Street, Construction, Maintenance Repair	Fire Operating	Fire Equipment
2005 Insurance	(\$1,328)	\$1,328		
2006 Animal nuisance	(750)	750		
2006 Intergovernmental revenue	(1,801)		\$706	\$1,095
Total	(\$3,879)	\$2,078	\$706	\$1,095

The Village Clerk-Treasurer posted these adjustments to the Village records which are reflected in the accompanying financial statements.

Sound financial reporting is the responsibility of the Clerk-Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Clerk-Treasurer and Council review vouchers to ensure disbursements are being properly posted to the respective funds. In addition Council should receive and review each month a receipt report to ensure receipts are properly posted.

Officials Response: No response was received.

FINDING NUMBER 2006-002

Noncompliance Citation/ Material Weakness

Ohio Revised Code §149.351 states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under § 149.39 of the Ohio Revised Code.

**FINDING NUMBER 2006-002
(Continued)**

Village officials indicated that the records supporting the Mayor's Court activity were not available for audit due to the fact they had been previously lost or destroyed. In addition, the 2005 cashbook and some of the vouchers chosen for testing could not be located. We recommend the Village maintain all the required records and documents and check with their Solicitor to see if the missing court records propose any legal issues for the Village.

Officials Response: No response was received.

FINDING NUMBER 2006-003

Noncompliance Citation/ Material Weakness

Ohio Revised Code §5705.38 states 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 April 1. Council did not approve annual appropriations until March 2005 and April 2006, with no evidence available that temporary appropriations were approved prior to those dates as a result all expenditures exceeded appropriations until the date the annual appropriations were approved.

We recommend the Council either approve annual appropriation at the beginning of the year or temporary appropriations to meet ordinary expenses, until they receive their amended certificate.

Officials Response: No response was received.

FINDING NUMBER 2006-004

Noncompliance Citation/ Material Weakness

Ohio Rev. Code §5705.10(H) states that money paid into any fund shall be used only for the purpose for which such fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay the obligations of the fund or funds carrying the deficit balance.

As of December 31, 2006 the Village had a deficit cash balance of \$2,775 in the General Fund, \$3,717 in the Fire Operating Fund and \$6,380 in the Fire Equipment Fund.

We recommend as part of the monitoring process, Village Council should review financial records to make sure the amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

Officials Response: No response was received.

FINDING NUMBER 2006-005

Noncompliance Citation/ Material Weakness

Ohio Revised Code § 5705.41(B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The following funds had expenditures in excess of appropriations for the fiscal year ended December 31:

	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
	2006			
Street Lights		\$4,320	\$4,787	\$467
Water Grant		10,765	21,119	10,354
Fire Equipment		11,291	17,407	6,116
	2005			
General		34,784	47,823	13,039

We recommend the Clerk-Treasurer and Village Council review and amend appropriations whenever necessary to reduce the possibility of expenditures exceeding appropriations, provided sufficient resources are available.

Officials Response: No response was received.

FINDING NUMBER 2006-006

Noncompliance Citation/ Material Weakness

Ohio Revised Code § 5705.41(D) states that no subdivision 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. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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.

1. **"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 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.

**FINDING NUMBER 2006-006
(Continued)**

2. **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. 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.
3. **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.

Prior certification is not obtained nor was a then and now certificate utilized. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, it is recommended that all Village non-payroll disbursements receive prior certification of the Clerk-Treasurer. When that is not possible, a Then and Now Certificate should be executed.

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 Clerk-Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk-Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials Response: No response was received.

FINDING NUMBER 2006-007

Monitoring Controls by Council and Financial Reporting/ Material Weakness

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Clerk-Treasurer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Clerk-Treasurers performed most accounting functions. It is therefore important that Council monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Council:

- As a result of the audit procedures performed, errors were noted in the financial statements that required twelve audit adjustments ranging in the amounts of \$59 to \$44,862 during the audit period.
- Council did not review (or receive) monthly detail revenue reports, detail disbursement reports, fund balance reports, payroll reports, and budget to actual receipts and disbursement reports.

**FINDING NUMBER 2006-007
(Continued)**

- Items appearing in the individual bank reconciliations were neither reviewed by nor authenticated by Council.
- Management did not detect several instances where duplicate payments were made on invoices.
- Mayor's Court records were lost or destroyed
- The Village is paying for computer software (UAN system) that is not being utilized

These weaknesses allowed posting errors in receipts and disbursements to occur and go undetected, records to be lost and financial resources to be wasted. It also prevented Council from monitoring the work of the Clerk-Treasurer and greatly hindered the Council from being apprised of the Village's financial status.

To ensure the Village's financial statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements by the Clerk-Treasurer and Village Council, to identify and correct errors and omissions.

Monthly bank reconciliations and lists of outstanding checks, monthly receipt and disbursement reports, fund balance reports, payroll reports, budget to actual receipts and disbursement reports, and purchase orders should be presented to Council by the Clerk-Treasurer. The documents should be reviewed, initialed, and approved in the minutes by Council.

Officials Response: No response was received.

FINDING NUMBER 2006-008

Appropriations and Estimated Revenues/ Material Weakness

The Clerk-Treasurer does not post appropriations or estimated revenues to the appropriation and receipt ledgers. The recording of these amounts in the ledgers is part of the budgetary and monitoring process to ensure expenditures are within appropriations and revenues received are meeting estimates set.

To strengthen the monitoring over the financial condition of the Village, we recommend the Clerk-Treasurer post the estimated revenues from the Certificate of Estimated Resources and the Council approved appropriations to the revenue and appropriation ledgers. In addition, the Village needs to utilize the services that the UAN system provides to facilitate the monitoring process. Use of the UAN system would improve the Village's budgetary controls and if used properly would reduce the possibility of negative fund balances occurring.

Officials Response: No response was received.

VILLAGE OF JERRY CITY
WOOD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Revised Code § 5705.41(D), expenditures not properly certified.	No	Not corrected, repeated as finding 2006-006.



Mary Taylor, CPA
Auditor of State

VILLAGE OF JERRY CITY

WOOD 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
DECEMBER 13, 2007**