



Dave Yost • Auditor of State

VILLAGE OF JERUSALEM
MONROE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Jerusalem
Monroe County
52172 State Route 26
Jerusalem, Ohio 43747

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The accompanying financial statements for the years ended December 31, 2012 and 2011 present receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the omission of receipt and disbursement classifications matter discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting*, the financial statements referred to above present fairly, in all material respects, the combined fund balances of the Village of Jerusalem, Monroe County, Ohio, as of December 31, 2012 and 2011, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1E to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

December 5, 2013

This page intentionally left blank.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts	<u>\$16,615</u>	<u>\$4,657</u>	<u>\$21,272</u>
<i>Total Cash Receipts</i>	<u>16,615</u>	<u>4,657</u>	<u>21,272</u>
Cash Disbursements	<u>9,085</u>	<u>3,350</u>	<u>12,435</u>
<i>Total Cash Disbursements</i>	<u>9,085</u>	<u>3,350</u>	<u>12,435</u>
<i>Net Change in Fund Cash Balances</i>	7,530	1,307	8,837
<i>Fund Cash Balances, January 1</i>	<u>(1,792)</u>	<u>3,135</u>	<u>1,343</u>
Fund Cash Balances, December 31			
Restricted		4,442	4,442
Unassigned	<u>5,738</u>		<u>5,738</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$5,738</u></u>	<u><u>\$4,442</u></u>	<u><u>\$10,180</u></u>

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts	\$13,158	\$6,072	\$19,230
<i>Total Cash Receipts</i>	13,158	6,072	19,230
Cash Disbursements	15,400	4,543	19,943
<i>Total Cash Disbursements</i>	15,400	4,543	19,943
<i>Net Change in Fund Cash Balances</i>	(2,242)	1,529	(713)
<i>Fund Cash Balances, January 1</i>	450	1,606	2,056
Fund Cash Balances, December 31			
Restricted		3,135	3,135
Unassigned	(1,792)		(1,792)
<i>Fund Cash Balances, December 31</i>	(\$1,792)	\$3,135	\$1,343

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 Jerusalem, Monroe County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance, street lighting, and fire protection. The Village contracts with the Beallsville and Community Volunteer Fire Department to receive fire protection services.

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).

The Village did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

State Highway Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing state highways within the Village corporation limits.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. 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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting from 2011 through March 2012 and after March 2012 the Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 Deposits

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

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$10,180</u>	<u>\$1,343</u>

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011, follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,439	\$16,615	(\$1,824)
Special Revenue	5,820	4,657	(1,163)
Total	\$24,259	\$21,272	(\$2,987)

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$16,870	\$9,085	\$7,785
Special Revenue	4,300	3,350	950
Total	\$21,170	\$12,435	\$8,735

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,993	\$13,158	(\$7,835)
Special Revenue	4,500	6,072	1,572
Total	\$25,493	\$19,230	(\$6,263)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$20,350	\$15,400	\$4,950
Special Revenue	4,500	4,543	(43)
Total	\$24,850	\$19,943	\$4,907

Contrary to Ohio law, for the year ended December 31, 2011, General Fund appropriations exceeded actual resources by \$6,742 and no reduced amended certificate was obtained. Also contrary to Ohio law, at December 31, 2011, the General Fund had a cash deficit balance of \$1,792.

4. 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 in the total Cash 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 JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Retirement System

Village officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

6. Risk Management

The Village has obtained commercial insurance for the following risks:

- General liability;
- Commercial auto;
- Commercial fire; and
- Employee dishonesty.

This page intentionally left blank.



Dave Yost • Auditor of State

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

Village of Jerusalem
Monroe County
52172 State Route 26
Jerusalem, Ohio 43747

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated December 5, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and we also noted the Village adopted Governmental Accounting Standards Board Statement No. 54. We issued a qualified opinion on the regulatory financial statements due to the Village not classifying receipts and disbursements in each fund.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2012-005 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-006 described in the accompanying Schedule of Findings to be a significant deficiency.

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, opining 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

December 5, 2013

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance

Ohio Rev. Code Section 149.351(A) states that 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 commissions provided under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

15% of expenditure transactions tested had no invoice, billing statement, or sales receipt on file with the voucher package. Also, 31% of expenditure transactions tested had actual payment amounts that were not supported by the invoices attached to the voucher as the Fiscal Officer would make a lump sum payment to a particular vendor that didn't agree to the amount owed on the invoice.

Failure to maintain support for expenditures could result in a loss of accountability over the Village's finances, make it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

We recommend the Village maintain supporting documentation, including detailed invoices for all expenditures. No expenditures should be made unless supporting documentation is available.

FINDING NUMBER 2012-002

Noncompliance

Ohio Rev. Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund was established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

At December 31, 2011, the General Fund had a negative cash fund balance in the amount of \$1,792.

We recommend the Village Fiscal Officer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligations of another fund. To cover temporary cash flow shortages, the Village may be able to advance money from other funds. The Village may refer to AOS Bulletin 97-003 to determine if an advance of funds to prevent a deficit cash balance would be appropriate.

FINDING NUMBER 2012-003

Noncompliance

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2012-003 (Continued)

Noncompliance – Ohio Rev. Code Section 5705.36(A)(4) (Continued)

At December 31, 2011, General Fund appropriations in the amount of \$20,350 exceeded the actual resources in the amount of \$13,608 by \$6,742.

This caused the Village to spend money in excess of the amount available for expenditures which resulted in a negative fund balance in the General Fund (see Finding No. 2012-002). For the General Fund, actual expenditures of \$15,400 exceeded actual resources of \$13,608 by \$1,792.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In situations where appropriations exceed actual resources, the Village should adjust estimated receipts and appropriations accordingly.

FINDING NUMBER 2012-004

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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. 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 Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate – If the fiscal officer can certify that both at the time 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 encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 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 of the taxing authority 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 taxing authority.

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.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2012-004 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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.

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 exceeding budgetary spending limitations, we recommend the Village Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village did not utilize the encumbrance method of accounting in 2011 through March 2012; which resulted in 76% of expenditures tested not certified as to availability of funds prior to incurring the obligation.

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

FINDING NUMBER 2012-005

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office 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.

All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

1. Cash journal, which typically contains the following information: 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 the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions to be recorded on this ledger.

**VILLAGE OF JERUSALEM
MONROE COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2012-005 (Continued)

Material Weakness (Continued)

3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.

The Village Officer's Handbook (revised March 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Village did not properly maintain the receipt and appropriation ledgers. There were significant discrepancies between the transactions posted to the receipt and appropriation ledgers compared to the cashbook and the year-end annual financial report.

We recommend the Fiscal Officer maintain a cash journal, receipts ledger, and the appropriation ledger in accordance with the available authoritative resources and maintain at the fund, function, object level of reporting. The receipt and appropriation ledger should be balanced with the cash journal on a monthly basis and used to prepare the year-end annual financial reports.

FINDING NUMBER 2012-006

Significant Deficiency

The Village should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not post budgeted receipts or appropriations to the receipt or appropriation ledgers from January 1, 2011 through April 30, 2012.

Also, the budgeted receipts per the Official Certificate of Estimated Resources for 2012 did not agree to the estimated receipts recorded in the receipts ledger for the following funds:

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2012-006 (Continued)

Significant Deficiency (Continued)

<u>Fund</u>	<u>Amount per Last Amended Certificate</u>	<u>Amount Posted to the Receipts Ledger</u>	<u>Variance</u>
General	\$18,439	\$14,500	\$3,939
Street	5,400	3,200	2,200
State Highway	420	300	120

As a result, information to monitor year-to-date total comparisons of estimated receipts versus actual receipts and appropriations versus actual disbursements was not available for Village Council to enable them to make sound financial decisions.

Adjustments were made to the budgetary notes to reflect the legislatively-approved budgetary amounts.

We recommend the Fiscal Officer record all estimated receipts per the Official Certificate of Estimated Resources to the receipts ledger and appropriations approved by Village Council to the appropriations ledger. The Fiscal Officer should periodically present budget versus actual information to the Village Council. These procedures will help ensure more useful comparisons of budget versus actual activity, as well as provide management with accurate monitoring tools throughout the year.

Officials' Responses: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Not properly maintaining the receipt and appropriation ledgers in accordance with available authoritative resources.	No	Not Corrected; Reissued as Finding Number 2012-005.
2010-002	Budgetary information not posted to the receipt and appropriation ledgers.	No	Not Corrected; Reissued as Finding Number 2012-006.
2010-003	State of Ohio warrants received and not deposited or recorded to the cash journal.	Yes	N/A.
2010-004	Payments made to vendors for amounts greater than the invoices.	No	Not Corrected; Reissued in the management letter.
2010-005	Village did not maintain a complete and accurate minute record which reflected all major financial decisions.	Yes	N/A.
2010-006	Village Fiscal Officer's salary was paid from funds other than the General Fund and not supported by proper documentation.	Yes	N/A.
2010-007	Bank reconciliations were not prepared and outstanding checklists were incorrect causing fund balance adjustments.	No	Not Corrected; Reissued in the management letter.
2010-008	Ohio Rev. Code Section 149.351(A) – public records shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law.	No	Not Corrected; Reissued as Finding Number 2012-001.
2010-009	Ohio Rev. Code Section 5705.39 – appropriations in excess of estimated resources.	Yes	N/A.
2010-010	Ohio Rev. Code Section 5705.41(B) – expenditures in excess of appropriations.	Yes	N/A.
2010-011	Ohio Rev. Code Section 5705.41(D)(1) – not properly certifying the availability of funds prior to incurring obligations.	No	Not Corrected; Reissued as Finding Number 2012-004.
2010-012	Ohio Rev. Code Section 149.43(E)(1) – public records policy not adopted.	No	Not Corrected; Reissued in the management letter.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-013	Ohio Rev. Code Section 117.38 – annual financial report not properly filed.	No	Not Corrected; Reissued in the management letter.
2010-014	Ohio Rev. Code Section 9.38 - monies not deposited with the Fiscal Officer or properly designated depository on the business day next following the day of receipt.	No	Not Corrected; Reissued in the management letter.
2010-015	Ohio Rev. Code Section 145.47(B) - OPERS not deducted from a portion of the earnable salary of the Fiscal Officer.	Yes	N/A.
2010-016	26 U.S.C. Section 3101 – Medicare not withheld from a portion of the earnable salary of the Fiscal Officer.	Yes	N/A.
2010-017	26 C.F.R. Section 1.6041-2 – Income not reported on W-2 Forms.	No	Not Corrected; Reissued in the management letter.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF JERUSALEM

MONROE 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 19, 2013