



Dave Yost • Auditor of State

VILLAGE OF JERUSALEM
MONROE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	3
Statement of Cash Receipts, Cash Disbursements, and Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	4
Notes to the Financial Statements	5
Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	9
Schedule of Findings.....	11
Schedule of Prior Audit Findings.....	21

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

Village of Jerusalem
Monroe County
P.O. Box 40
Jerusalem, Ohio 43747

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009 following Ohio Administrative Code Section 117-4-02.

The accompanying financial statements present receipts and disbursements by fund totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 4, 2011

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**VILLAGE OF JERUSALEM
MONROE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance 01/01/10	Receipts	Disbursements	Balance 12/31/10
General	\$800	\$11,457	\$11,807	\$450
Special Revenue:				
Street	2,005	3,266	4,201	1,070
State Highway	1,645	265	1,374	536
Total Special Revenue	3,650	3,531	5,575	1,606
Total All Funds	\$4,450	\$14,988	\$17,382	\$2,056

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance 01/01/09	Receipts	Disbursements	Balance 12/31/09
General	\$2,610	\$11,371	\$13,181	\$800
Special Revenue:				
Street	4,280	3,501	5,776	2,005
State Highway	2,011	284	650	1,645
Total Special Revenue	6,291	3,785	6,426	3,650
Total All Funds	\$8,901	\$15,156	\$19,607	\$4,450

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, 2010 AND 2009**

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 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:

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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.

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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

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.

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>2010</u>	<u>2009</u>
Demand deposits	<u>\$2,056</u>	<u>\$4,450</u>

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009, follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,000	\$11,457	(\$9,543)
Special Revenue	4,500	3,531	(969)
Total	\$25,500	\$14,988	(\$10,512)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$20,600	\$11,807	\$8,793
Special Revenue	4,500	5,575	(1,075)
Total	\$25,100	\$17,382	\$7,718

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,500	\$11,371	(\$4,129)
Special Revenue	4,500	3,785	(715)
Total	\$20,000	\$15,156	(\$4,844)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$18,950	\$13,181	\$5,769
Special Revenue	7,500	6,426	1,074
Total	\$26,450	\$19,607	\$6,843

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Fund by \$201 and State Highway Fund by \$874 for the year ended December 31, 2010. Budgetary expenditures exceeded appropriation authority in the State Highway Fund by \$150 for the year ended December 31, 2009.

Also contrary to Ohio law, appropriations exceeded total estimated resources in the General Fund by \$840 for the year ended December 31, 2009.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

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 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.

5. Retirement System

Village employees and 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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has not paid all contributions required through December 31, 2010.

6. Risk Management

The Village has obtained commercial insurance for the following risks:

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



Dave Yost • Auditor of State

ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Jerusalem
Monroe County
P.O. Box 40
Jerusalem, Ohio 43747

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, following Ohio Admin. Code Section 117-4-02. We noted the Village did not classify receipts and disbursements in its financial statements. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Village's ability to initiate, authorize, record, process, or report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2010-001 through 2010-007.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2010-008 through 2010-017.

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

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

Dave Yost
Auditor of State

November 4, 2011

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2010-001

Fiscal Responsibility/Record Keeping

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.

Accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund 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.
3. Appropriation ledger, which may assemble and classify disbursements 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, and any other information required may be entered in the appropriate columns.

The Village Officer's Handbook (revised March 2011) 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. The only annual financial report prepared was for 2009, which was not complete. Since the Fiscal Officer did not prepare financial statements for 2009 and 2010, the Auditor of State utilized the cash journal to compile unclassified financial statements by fund.

We recommend the Fiscal Officer maintain the 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 2010-002

Estimated Receipts and Appropriations

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.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-002 (Continued)

Estimated Receipts and Appropriations (Continued)

The Fiscal Officer did not post estimated receipts or appropriations to the receipt or appropriation ledgers.

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 inspection by Village officials.

We recommend estimated receipts, per the Official Certificate of Estimated Resources from the County Auditor be posted to the receipt ledger and appropriations be posted to the appropriations ledger when adopted by Village Council.

FINDING NUMBER 2010-003

Money Due But Not Collected

State of Ohio warrants for the February, May, and October 2009 State and Local Government Highway Distribution payments of \$95.63, \$95.16, and \$98.14, respectively, as confirmed by the State of Ohio on the Distribution Transaction List, could not be accounted for on the Village's cash journal in 2009 nor were the monies subsequently deposited in the Village's bank account in 2009. In February 2010 the warrants noted above were posted to the cash journal and deposited into the bank, only to be returned to the State in the subsequent month of March 2010. All three warrants were voided by the State of Ohio as they were not cashed within the 90 day period.

We recommend the Fiscal Officer complete a "Claim for Reissuance of Voided Warrant due to Age" form for the three warrants noted above and submit to the specific agency that paid the warrant so these warrants can be reissued to the Township. A separate form will need completed for each warrant. If these amounts are not collected by the next audit a finding for recovery may be issued against the Fiscal Officer for "public money due but not collected" and/or "public money collected but not accounted for" in the amount of \$288.93.

FINDING NUMBER 2010-004

Advance Payment of Bills

Many payments made to South Central Power, Ohio Dominion, and Switzerland of Ohio Water District were large payments and not the actual amount due on the invoice. Due to the condition of the Village's fund balances, making large payments could cause serious cash flow problems.

Throughout the period, the Village had several credits for overpayment on utility bills which was unnecessary. These excess funds could have been used toward other bills or investing to obtain a favorable interest rate as a new source of funding for the Village.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-004 (Continued)

Advance Payment of Bills (Continued)

It should also be noted that the Village was not monitoring the monthly bills on a timely basis. After the advance payments were made, the Village would let the bills accumulate for several months. Since the Village was not monitoring the monthly billings, credit balances were spent down and the Village began accruing a liability for several months until the Village remitted another lump-sum payment. Additionally, the lack of review could result in errors or irregularities in Village bills going undetected by Village officials.

We recommend the Fiscal Officer remit payment in the exact amount of the invoice and not pay larger payments in advance and monitor all monthly bills to be sure that no unpaid, outstanding balances accrue each month.

FINDING NUMBER 2010-005

Minutes

The minute record is the official record of Village Council actions. The Village is required to keep a complete and accurate record of the proceedings and actions of the Village Council at all meetings.

The minute record of Village Council did not consistently reflect the following:

- Although Village Council approved certain people to perform services for the Village, such as weed-eating, mowing, snow removal, etc., there were no timesheets or contracts substantiating the work that was performed or the amount paid to them for their services was per Village Council intentions.
- Not all people providing the services mentioned above to the Village were approved in the minutes.
- The *Resolution Accepting Amounts and Rates as Determined by the Budget Commission and Authorizing the Necessary Tax Levies and Certifying Them to the County Auditor* appeared to be signed and approved by Village Council and certified to the County Auditor; however, the official resolution was not addressed in the minutes.

We recommend the Fiscal Officer maintain a complete and accurate minute record which reflects all major financial decisions, including payroll and budgetary matters. We also recommend the Mayor sign the minutes after being approved by Village Council to indicate these are the approved minutes and the Fiscal Officer sign the minutes attesting to such.

FINDING NUMBER 2010-006

Fiscal Officer Salary Allocation

The majority of the Fiscal Officer duties are administrative in nature; therefore, the Fiscal Officer's salary would normally be charged to the General Fund.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-006 (Continued)

Fiscal Officer Salary Allocation (Continued)

Per review of the 2009 minutes, Village Council made a motion to pay the Fiscal Officer from the Street Fund; however, there was no mention of what documentation is to be maintained to support this allocation.

During the period, the Fiscal Officer's December 2010 salary payment in the amount of \$900 was paid from the Street Fund with no documentation to support this allocation.

We recommend the Fiscal Officer salary be paid from the General Fund, unless supporting timesheets can be provided vouching work done on-behalf of the Street or State Highway Funds'.

FINDING NUMBER 2010-007

Bank Reconciliations/Outstanding Checks

The Fiscal Officer did prepare monthly bank reconciliations during the period; however, the reconciliations were not correct as to the outstanding check list. This resulted in unreconciled bank account balances. This required the Auditor of State to reperform the monthly bank reconciliations for the entire period including follow-up on reconciling items. Once we reperformed the monthly bank reconciliations, this did result in adjustments to the cash journal to reflect the proper reconciled fund balance as of December 31, 2010.

Also, the outstanding check list, once reconstructed, contained four checks which had been outstanding for a period exceeding one year.

We recommend the Fiscal Officer continue preparing monthly bank reconciliations; however, sufficient explanation and/or supporting documentation should be provided and retained for all reconciling items, such as outstanding checks, deposits-in-transit, etc. that may appear on the reconciliation. The Fiscal Officer should present monthly bank reconciliations to the Village Council for their review and approval at their monthly meetings.

We also recommend the Fiscal Officer consider issuing stop payment orders or void the old outstanding checks to get them off the cash reconciliation. The Fiscal Officer should keep a record of who the checks were originally issued to in case the payee ever presents the check to the bank to cash.

FINDING NUMBER 2010-008

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 Section 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.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-008 (Continued)

Ohio Rev. Code Section 149.351(A (Continued))

We noted the following in regards to missing records:

- Several payments to vendors had no supporting documentation on file with the voucher package, such as an invoice, billing statement, or sales receipt. Our scan of vouchers indicated that invoices were not consistently a part of the voucher package. We also noted instances where an incorrect invoice was attached to voucher payments that did not support the actual payment.
- When scanning checks to determine if they were issued in sequential order revealed that some checks were written that had no voucher or supporting documentation attached to it at all.
- Federal Form 941 that accompanies quarterly remittances to the Internal Revenue Service (IRS) for the payment of federal tax withholdings, including medicare tax were not provided to audit. Therefore, no indication could be made that the remittances to the IRS were for the correct amount without copies of the quarterly 941 reports.

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.

We also recommend the Fiscal Officer maintain Federal Form 941's when submitting payments to the IRS for federal withholdings, including medicare tax.

FINDING NUMBER 2010-009

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom as certified by the County Budget Commission.

As of December 31, 2009, appropriations exceeded total estimated resources in the General Fund by \$840.

We recommend Village Council and the Fiscal Officer monitor appropriations and estimated resources and file amendments as needed with the County Auditor to ensure that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-010

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

At December 31, 2010, the following funds had expenditures exceeding appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Street	\$4,000	\$4,201	(\$201)
State Highway	500	1,374	(874)

At December 31, 2009, the following fund had expenditures exceeding appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
State Highway	\$500	\$650	(\$150)

The Village's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend the Fiscal Officer monitor all fund expenditures to ensure expenditures remain within their respected budgeted amounts. The Fiscal Officer should certify the availability of funds and deny payment requests exceeding appropriations. The Fiscal Officer may request Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2010-011

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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Village 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.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-011 (Continued)

Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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.

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.

Of the expenditures tested, purchase orders were attached; however, they were not completed properly as to the account code nor was the encumbrance amount reflected in the appropriation ledger. Also, the purchase orders were completed at the time the check was written which would indicate the expenditures were not properly certified as to the availability of funds, and there was no evidence that the Village followed the aforementioned exceptions.

Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

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’s funds exceeding budgetary spending limitations, we recommend the 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” certificates should be used.

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 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 2010-012

Ohio Rev. Code Section 149.43(E)(1) states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the Attorney General under Section 109.43 of the Revised Code.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-012 (Continued)

Ohio Rev. Code Section 149.43(E)(1) (Continued)

Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

Ohio Rev. Code Section 149.43(E)(2) states the public office shall distribute the public records policy adopted by the public office under division (E)(1) of this Section to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employees acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet website. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

No formal public records policy has been adopted by the Village.

We recommend Village Council adopt a public records policy in conformity with the model public records policy issued by the Ohio Attorney General. After adopting such policy, we recommend the Village create a poster describing their public records policy, post a copy of the policy in a conspicuous place in the municipal building.

FINDING NUMBER 2010-013

Ohio Rev. Code Section 117.38 states that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year.

The Fiscal Officer did file the annual report for 2009 with the Auditor of State, but the report was not properly completed.

In addition, the Fiscal Officer did not complete or file an annual report for 2010 with the Auditor of State.

We recommend the Fiscal Officer properly complete the annual financial report prescribed by the Auditor of State and file each year's annual report with said Office. This includes individual fund worksheets, a combining statement, a combined statement, and budgetary comparison worksheets.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-014

Ohio Rev. Code Section 9.38 states monies should be deposited with the Fiscal Officer or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds \$1,000. This Section also stipulates that if the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Throughout the period, when comparing the date monies were actually received to the deposit date revealed receipts were held and not deposited until one to as many as three months later. We noted the Fiscal Officer only deposited monies once a month. We also noted the Fiscal Officer was not posting receipts to the accounting ledgers in a timely fashion as well. Posting receipts to the cash journal usually occurred on the last day of each month.

Not recording receipts to the Village ledgers in a timely manner causes financial information provided to Village Council to be inaccurate when financial decisions need to be made. Without depositing funds timely, Village funds are subject to risk of theft or loss.

To help prevent cash flow problems and the risks of receipts becoming lost, we recommend that deposits be made into the depository on a more timely basis, such as on the business day following the date of receipt or within a reasonable period of time thereafter. We also recommend the Fiscal Officer post receipts to the ledgers in a timely manner.

FINDING NUMBER 2010-015

Ohio Rev. Code Section 145.47(B) states, in part, the fiscal officer of each local authority subject to this chapter, shall deduct from the earnable salary of each contributor on every payroll of such contributor for each payroll period subsequent to the date of coverage, an amount equal to the applicable per cent of the contributor's earnable salary. The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with checks covering the total of such deductions.

We noted the Fiscal Officer did not properly report gross wages on the second-half 2009 OPERS remittance form sent to the State, which caused the Village to pay more retirement than otherwise necessary. There were three council members that did not receive a December 2009 paycheck. However, the Fiscal Officer reported gross salaries for these council members in the amount of \$120 each to OPERS for retirement contributions for the second-half of 2009. These council members should have been reported at zero gross wages with no contributions made to OPERS. The total overpayment to OPERS amounted to \$86.40 which includes the employer portion as well.

We also noted that the Village did not withhold OPERS for a portion of the earnable salary of the Fiscal Officer. In 2010, the Fiscal Officer was paid an additional salary of \$450 and in 2009, the Fiscal Officer was paid an additional salary of \$1,200 with no OPERS deductions or any other type of withholding made from these payments. The cumulative total that should have been paid to OPERS on this earnable salary, which includes the employer share, is \$396.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2010-015 (Continued)

Ohio Rev. Code Section 145.47(B) (Continued)

By not reporting the correct earnable salary amounts of Village officials/employees could result in interest and penalties on any overdue amounts owed to OPERS.

We recommend the Fiscal Officer take the care necessary to ensure the contribution reports submitted to OPERS are correct by verifying the amounts reported agree to the salaries of the actual official/employee.

FINDING NUMBER 2010-016

26 U.S.C. Section 3101 establishes the rates of taxation for Social Security and Medicare withholdings and 26 U.S.C. Section 3102(a) requires the withholding of these taxes from gross wages on the rates set forth in Section 3101.

We noted the Village did not withhold Medicare tax for a portion of the earnable salary of the Fiscal Officer. In 2010, the Fiscal Officer was paid an additional salary of \$450 and in 2009, the Fiscal Officer was paid an additional salary of \$1,200 with no Medicare tax withheld from these checks nor was the employer match remitted as required.

Without the proper collection and payment of Medicare taxes each year, the Village is at risk of being assessed fines and penalties. This matter will be referred to the Internal Revenue Service.

We recommend the Village withhold Medicare taxes when applicable and remit all Medicare taxes to the Internal Revenue Service timely and accurately.

FINDING NUMBER 2010-017

26 C.F.R. Section 1.6041-2 requires employee's gross income, must be reported as wages or other compensation on the employee's Form W-2, and are subject to withholding and payment of employment taxes.

For 2010 and 2009, the Fiscal Officer did not properly report her income on Form W-2 filed with the IRS as indicated below:

<u>Employee Name</u>	<u>Fiscal Year</u>	<u>Actual Pay</u>	<u>Amount per W-2</u>	<u>Difference</u>
Michelle Kurtz	2009	\$3,000	\$1,800	(\$1,200)
Michelle Kurtz	2010	3,150	2,861	(289)

Without properly reporting employee compensation to the federal government, the Village and employees are subject to fines and penalties along with back taxes. This matter will be referred to the Internal Revenue Service.

We recommend the Fiscal Officer accurately prepare and report the calendar year W-2s for each employee reflecting total employee compensation and taxes withheld for the year.

Officials' Response: 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, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Rev. Code Section 5705.39 - appropriations in excess of estimated resources.	No	Not Corrected; Reissued as Finding Number 2010-009.
2008-002	Ohio Rev. Code Section 5705.41(B) - expenditures in excess of appropriations.	No	Not Corrected; Reissued as Finding Number 2010-010.
2008-003	Ohio Rev. Code Section 5705.41(D) - not properly certifying the availability of funds prior to incurring obligations.	No	Not Corrected; Reissued as Finding Number 2010-011.
2008-004	Not properly maintaining the receipt and appropriation ledgers in accordance with available authoritative resources.	No	Not Corrected; Reissued as Finding Number 2010-001.
2008-005	Budgetary information not posted to the receipt and appropriation ledgers.	No	Not Corrected; Reissued as Finding Number 2010-002.

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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 6, 2011**