



Dave Yost • Auditor of State

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

Village of Jacksonville
Athens County
P.O. Box 185
Jacksonville, Ohio 45780

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Jacksonville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008 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.

As discussed in Note 10 to the financial statements, the Village has suffered recurring losses from operations and has a net asset deficiency. Note 10 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

February 4, 2011

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**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

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

	Balance 1/1/2009	Receipts	Disbursements	Balance 12/31/2009
General	(\$46,656)	\$53,694	\$141,600	(\$134,562)
Special Revenue:				
Street Construction, Maintenance and Repair	6,449	20,827	23,242	4,034
State Highway	4,191	1,578	2,113	3,656
Fire	18,916	48,337	32,247	35,006
Street Lights	11,008	11,157	5,976	16,189
Total Special Revenue	<u>40,564</u>	<u>81,899</u>	<u>63,578</u>	<u>58,885</u>
Debt Service:				
Vehicles Note	0	6,228	6,228	0
Backhoe Note	0	2,223	2,223	0
Police Cruiser Note	0	5,564	5,564	0
Building Note	0	34,755	34,755	0
Fire Truck Note	0	7,452	7,452	0
General Operations Note	0	7,303	7,303	0
Total Debt Service	<u>0</u>	<u>63,525</u>	<u>63,525</u>	<u>0</u>
Capital Projects Fund	(220)	64,350	43,880	20,250
Enterprise Funds:				
Water Operating	6,941	100,702	68,631	39,012
Water Operating	18	17,453	17,470	1
Water Improvement Reserve	12,830	2,870	0	15,700
Water Deposits	1,286	0	0	1,286
	<u>21,075</u>	<u>121,025</u>	<u>86,101</u>	<u>55,999</u>
Total All Funds	<u>\$14,763</u>	<u>\$384,493</u>	<u>\$398,684</u>	<u>\$572</u>

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

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance 1/1/2008</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 12/31/2008</u>
General	\$615	\$81,302	\$128,573	(\$46,656)
Special Revenue:				
Street Construction, Maintenance and Repair	3,262	22,334	19,147	6,449
State Highway	4,151	1,708	1,668	4,191
Fire	1,733	38,175	20,992	18,916
Street Lights	7,978	6,655	3,625	11,008
Total Special Revenue	<u>17,124</u>	<u>68,872</u>	<u>45,432</u>	<u>40,564</u>
Debt Service:				
Vehicles Note	0	6,228	6,228	0
Backhoe Note	0	2,037	2,037	0
Police Cruiser Note	0	6,070	6,070	0
Building Note	0	34,755	34,755	0
Fire Truck Note	0	8,129	8,129	0
General Operations Note	0	10,733	10,733	0
General Operations Note	0	88	88	0
Total Debt Service	<u>0</u>	<u>68,040</u>	<u>68,040</u>	<u>0</u>
Capital Projects Fund	0	0	220	(220)
Enterprise Funds:				
Water Operating	2,836	78,221	74,116	6,941
Water Improvement	(16,820)	34,273	17,435	18
Water Improvement Reserve	9,960	2,870	0	12,830
Water Deposits	1,286	0	0	1,286
	<u>(2,738)</u>	<u>115,364</u>	<u>91,551</u>	<u>21,075</u>
Total All Funds	<u>\$15,001</u>	<u>\$333,578</u>	<u>\$333,816</u>	<u>\$14,763</u>

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

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Jacksonville, Athens County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, street maintenance, water utility services, park operations, police services and fire protection services.

The Village participates in one jointly governed organization and the Public Entity Pool of Ohio. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Trimble Township Wastewater Treatment District – a regional sewer district that also provides billing services for the Village’s water utility services.

Public Entity Risk Pool:

Public Entities Pool of Ohio – a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members,

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 and investments that are 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.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

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 tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives money from a tax levy approved by voters to provide fire protection services for the Village.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

Building Note Fund - This fund receives transfers from the General Fund for the payment of principal and interest on debt related to the new Village Hall.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

USDA Playground Improvement Fund – This fund received proceeds of a USDA grant for the construction of a new playground.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services to cover water service costs.

Water Improvement Fund - This fund receives charges for services for the payment of principal and interest on USDA bonds issued for past water utility improvements in the Village.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

7. Fiduciary Funds

Fiduciary funds include agency funds. 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 had the following significant Agency Fund:

Mayor's Court Fund - This fund accounts for the financial activity of 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. 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 2009 and 2008 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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:

	2009	2008
Demand deposits	\$572	\$14,763

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$53,694	\$53,694
Special Revenue	0	81,899	81,899
Debt Service	0	63,525	63,525
Capital Projects	0	64,350	64,350
Enterprise	0	121,025	121,025
Total	\$0	\$384,493	\$384,493

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$141,600	(\$141,600)
Special Revenue	0	63,578	(63,578)
Debt Service	0	63,525	(63,525)
Capital Projects	0	43,880	(43,880)
Enterprise	0	86,101	(86,101)
Total	\$0	\$398,684	(\$398,684)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$81,302	\$81,302
Special Revenue	0	68,872	68,872
Debt Service	0	68,040	68,040
Capital Projects	0	0	0
Enterprise	0	115,364	115,364
Total	\$0	\$333,578	\$333,578

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$128,573	(\$128,573)
Special Revenue	0	45,432	(45,432)
Debt Service	0	68,040	(68,040)
Capital Projects	0	220	(220)
Enterprise	0	91,551	(91,551)
Total	\$0	\$333,816	(\$333,816)

Contrary to Ohio law, the Village did not formally adopt a Certificate of Estimated Resources or Appropriation Measure for either 2009 or 2008. Also contrary to Ohio law, at December 31, 2009, the General Fund had a cash deficit balance of \$134,562. At December 31, 2008, the General Fund had a cash deficit balance of \$46,656.

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. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Water Improvement Bonds	\$205,169	5.875%
Building Note	364,622	5.450%
Fire Pumper Truck Note	18,821	5.960%
Truck Note	63,271	5.250%
Backhoe Note	2,337	5.125%
Police Cruiser Note	5,376	3.720%
Total	\$659,596	

The Water Improvement Bonds relate to the replacement and installation of water lines in the Village. Revenue from the water system has been pledged to repay this debt. The remaining General Obligation Notes will be repaid from general operating receipts.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Water Improvement Bonds	Building Note	Fire Pumper Note	Truck Note	Backhoe Note	Police Cruiser Note	Total
2010	\$18,830	\$34,532	\$8,129	\$6,228	\$2,405	\$6,069	\$76,193
2011	18,784	34,531	8,129	6,228			67,672
2012	18,784	34,531	3,384	6,228			62,927
2013	18,784	34,531		6,228			59,543
2014	18,784	34,531		6,228			59,543
2015-2021	93,900	172,655		31,140			297,695
2022-2026	93,807	172,655		31,140			297,602
2027-2031	93,795	25,890		3,148			122,833
Total	<u>\$375,468</u>	<u>\$543,856</u>	<u>\$19,642</u>	<u>\$96,568</u>	<u>\$2,405</u>	<u>\$6,069</u>	<u>\$1,044,008</u>

6. Retirement Systems

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, 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, 2009.

7. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$14.1 million and \$13.7 million of estimated incurred claims payable. The assets above also include approximately \$13.7 million and \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Village's share of these unpaid claims collectible in future years is approximately \$8,753.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
<u>2009</u>	<u>2008</u>
\$9,312	\$10,441

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Jointly Governed Organization

Trimble Township Wastewater Treatment District - The Trimble Township Wastewater Treatment District is a regional sewer District organized under Chapter 6119 of the Ohio Revised Code. The Village operated under the direction of an eight member Board of Council Members whose membership is composed of two appointments from each of the participating subdivision: Village of Trimble, Village of Jacksonville, Village of Glouster and Trimble Township. The membership elects a President, Vice President and a Secretary-Treasurer who are responsible for the fiscal control of the financial resources of the District. To obtain financial information, write to the Trimble Township Wastewater Treatment District, Joy Hemsley, Secretary-Treasurer, at 18551 Jacksonville Road, P.O. Box 278, Jacksonville, Ohio 45740.

9. Subsequent Events

In 2010, the former Fiscal Officer confessed, in writing, to stealing around \$40,000 from the Village by writing checks made out to himself, cash and to friends. Subsequent to his termination, the new Fiscal Officer discovered no employment taxes had been reported or remitted to the federal or state agencies since 2005. Additionally, the Village is delinquent in their contributions to the Ohio Public Employees Retirement System.

The current Fiscal Officer is working with all of these agencies to determine the Village's liability, including penalties and interest. No amounts were known as of the date of this report; however, the liabilities will most likely be material to the Village.

10. Deficit Fund Balance

The Village had a deficit fund balance of \$134,562 in the General Fund as of December 31, 2009. The Village continues to issue short-term debt to fund general governmental operations in addition to the debt obligations relating to the Building Note and Police Cruiser Note, which will require \$40,600 and \$34,531 of General Fund resources during 2010 and 2011 respectively. Currently, management is taking steps to reduce spending and to implement a system of accounting that will facilitate in the monitoring of the Village's finances.



Dave Yost • Auditor of State

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

Village of Jacksonville
Athens County
P.O. Box 185
Jacksonville, Ohio 45780

To the Village Council:

We have selectively tested certain accounts, financial records, files, and reports of the Village of Jacksonville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, 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 2009-019, 2009-023 and 2009-024.

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 2009-001 through 2009-022.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.

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

February 4, 2011

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2009-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 731.13 states in part the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village, except where otherwise provided by law. This provision also states that where the legislative authority has set the compensation for elective officers, such compensation shall not be increased or diminished during the term for which any officer is elected or appointed.

The salary for the Village Fiscal Officer was set at \$350 per month. During the period of December 31, 2007 through March 31, 2010, Fiscal Officer, Robert D. Sayre cashed additional checks written to him. Council did not approve these additional payments, and Mr. Sayre could not otherwise justify the additional payments. The payments as follows.:

Check Number	Check Date	Amount	Check Number	Check Date	Amount
4196	12/31/07	1,328.00	4711	09/21/09	1,400.00
4548	02/23/09	700.00	4713	09/29/09	1,050.00
4556	03/09/09	700.00	4716	10/18/09	700.00
4574	04/02/09	700.00	4725	10/23/09	700.00
4577	04/08/09	1,000.00	4740	11/09/09	1,400.00
4582	04/13/09	1,200.00	4755	11/18/09	700.00
4597	04/21/09	700.00	4761	11/30/09	1,050.00
4599	04/29/09	2,000.00	4764	12/12/09	1,400.00
4603	05/08/09	700.00	4772	01/05/10	1,400.00
4612	05/19/09	1,000.00	4791	01/26/10	1,400.00
4615	05/26/09	1,500.00	4798	02/13/10	1,400.00
4621	06/03/09	700.00	4800	02/18/10	1,400.00
4632	06/29/09	1,000.00	4809	03/02/10	1,400.00
4647	07/14/09	700.00	4816	03/16/10	1,400.00
4667	08/10/09	700.00	4833	03/26/10	1,050.00
4669	08/17/09	1,500.00			

Total of listed checks:	33,978.00
Less March 2010 pay Included in Check #4833	<u>(350.00)</u>
	33,628.00

In addition, the Village Fiscal Officer did not withhold State Income Tax, Medicare, or Ohio Public Employees Retirement (OPERS) payments from his salary for the twelve-month period, April 2009 through March 2010. The Village is responsible for these payments as follows:

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-001 (Continued)

Finding for Recovery Repaid Under Audit (Continued)

Withholding Type	Amount Due Per Month	Total for 12 Month Period
OPERS	\$ 35.00	\$ 420.00
Medicare	5.08	60.96
Ohio State Income Tax	2.42	29.04
		<u>\$ 510.00</u>

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Robert D. Sayre, Fiscal Officer, in the amount of \$34,138, and in favor of the Village of Jacksonville's General Fund.

The amount was repaid under audit.

These matters will be referred to the Ohio Department of Taxation and the Ohio Public Employees Retirement System (OPERS).

Officials' Response: The finding was repaid on October 1, 2010.

FINDING NUMBER 2009-002

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

Check number 4616 was written on May 29, 2009 to Catherine Erickson in the amount of \$1,100. Ms. Erickson was not an employee of the Village and there was no documentation to demonstrate that the payment was otherwise for a proper public purpose.

In addition, check number 4709 was written on September 21, 2009 to Radio Shack in the amount of \$60.96. The invoice indicated payment was for a shoebox recorder, cassette tapes, and batteries. The equipment was not in use at the Village, was not available for inspection and was not included in the inventory of the Village. Additionally, no supporting documentation was on file and the purpose or necessity for the expenditure was not documented. Without appropriate documentation, it is not possible to determine if the expenditures were made for a proper public purpose.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-002 (Continued)

Finding for Recovery Repaid Under Audit (Continued)

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Robert D. Sayre, Fiscal Officer, in the amount of \$1,160, and in favor of the Village of Jacksonville's General Fund.

The amount was repaid under audit.

Officials' Response: The finding was repaid on October 1, 2010.

FINDING NUMBER 2009-003

Finding for Recovery Repaid Under Audit

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During our test of expenditures and cash, we noted \$1,995 of insufficient, returned check fees charged to the Village during 2009 and 2008.

We do not consider these insufficient fund charges to be for a proper public purpose in the operations of the Village.

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section 117.28, a Finding for Recovery for public money expended for not a proper public purpose is hereby issued against Robert D. Sayre, Fiscal Officer, and in favor of the Village of Jacksonville's General Fund in the amount of \$1,995.

The amount was repaid under audit.

Officials' Response: The finding was repaid on October 1, 2010.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code Section 117.38 states, in part, cash basis entities must file annual reports with the Auditor of State within 60 days of fiscal year end. Also, the public office must publish notice in a local newspaper stating that the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file the 2009 and 2008 financial reports with the Auditor of State within the 60 days, nor did the Village publish notice of the availability of the financial report in the local newspaper.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-004 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 117.38 (Continued)

We recommend the Village publish notice in a local newspaper that the annual financial report is available after filing with the Auditor of State.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. Code Section 121.22 states in part that all meetings of any public body are declared to be public meetings open to the public at all times. A member of the public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such publicly public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussion in executive sessions.

The minutes provided for audit were incomplete, hand-written notes that did not indicate approval by Village Council. The notes often indicated that Council voted to dispense with the reading of the minutes. These practices provide no assurance that the minutes properly reflect the approved actions of Village Council.

We recommend the Village Fiscal Officer promptly record the minutes of all meetings of the Village Council and present them in a format that would be easier to read and understand. We also recommend the Fiscal Officer distribute copies of the minutes to the Council members for approval at the next meeting of Village Council. Approval of the minutes as written or corrections thereto should be recorded in the minutes of the meeting during which they are approved. In addition, Council President and the Fiscal Officer should sign the minutes to provide verification of approval.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-006

Noncompliance Citation

Ohio Rev. Code Section 145.47 states the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement 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 warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-006 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 145.47 (Continued)

The Village was delinquent in remitting retirement withholdings and employee contributions. As a result, the Ohio Public Employees Retirement System contacted the Athens County Auditor to withhold the delinquent amounts, including penalties, from the Village's second half real estate tax settlements.

We recommend the Village Fiscal Officer take the care necessary to ensure retirement withholdings and employer contributions are being remitted on a timely basis to avoid penalties.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-007

Noncompliance Citation

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 for under sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under section 149.33 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.

During 2009, expenditures totaling \$32,404 had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. During 2008, expenditures totaling \$44,610 had no supporting documentation, such as an invoice, and therefore could not be determined to be for a proper public purpose due to lack of supporting documentation. However, we were able to obtain a certain level of assurance of the proper public purpose of these expenditures through alternate procedures. The failure to maintain adequate support for expenditures could result in a loss of accountability over the Village's finances, making it difficult to identify errors which could go undetected, and possibly result in expenditures that are not for proper public purpose.

We recommend that all records be maintained for audit purposes and that no disbursements are made unless supporting documentation is available.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-008

Noncompliance Citation

Ohio Rev. Code Section 731.13 states, in part, the legislative authority of a village shall fix the compensation and bonds of all officers, clerks, and employees of the village, except where otherwise provided by law. This provision also states that where the legislative authority has set the compensation for elective officers, such compensation shall not be increased or diminished during the term for which any officer is elected or appointed.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-008 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 731.13 (Continued)

There was no indication in the minute record, ordinance file, or the employees' personnel files of establishment of salaries for the elected officials or the employees of the Village. This could result in confusion as to the rate of pay for new employees or elected officials.

We recommend the Village Council annually pass an ordinance that sets the salary for each elected official and employee of the Village.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-009

Noncompliance Citation

Ohio Rev. Code Section 733.40 states all fines, forfeitures, and costs in ordinances cases and all fees that are collected by the mayor, that comes into the mayor's hands, that are due the mayor, and all money received by the mayor for the use of the municipal corporation shall be paid by the mayor into the municipality on the first Monday of each month. At the first regular meeting of the legislative authority each month, the mayor shall submit a full statement of all money received, from whom and for what purposes received, and when paid into the treasury. Ohio Rev. Code Section 2949.091(A) requires that the court in which any person is convicted of or pleads guilty to any offense shall impose a specified cost in the case in addition to any other court costs that the court is required by law to impose upon the offender. The Court is then required to transmit all monies received under this section on or before the twentieth day of the following month to the treasurer of state.

The Mayor's Court did not pay the monies collected into the Village prior to the first Monday of the following month or to the State by the twentieth day of the following month for seven months in 2008 and eight months in 2009. Court activity was only noted for eleven months in 2008 and nine months in 2009. Receipts for September 2008 through March 2009 were not paid to the State until April 13, 2009 and were not paid to the Village until June 22, 2009. In addition, although there was evidence of preparation of monthly reports for submission to Village Council, there was no indication in the minutes of receipt of the Mayor's Court reports by Village Council. The Mayor's Court Clerk also did not maintain copies of the reports sent to the State.

We recommend the Clerk of the Mayor's Court pay all moneys collected to the Village by the first Monday of the month following receipt and to the State by the twentieth day of the month following receipt. We also recommend the Clerk submit a full statement of such collections to the Village Council along with payment. Village Council include an acknowledgement of the receipts of this statement and the payment in the Minute Record to indicate their acceptance. The Mayor's Court Clerk should also maintain a copy of the monthly report submitted to the State.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-010

Noncompliance Citation

Ohio Rev. Code Section 742.35 states each employer shall pay its annual police officer employers' contribution and firefighter employers' contribution in four equal installments promptly as provided in sections 742.33 and 742.34 of the Revised Code. If an employer fails to make a payment on or before the date that is sixty days after the last day of the calendar quarter, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the installment is due to the date of payment.

The Village was delinquent in remitting retirement withholdings and employee contributions. As a result, the Ohio Police and Fire Fund contacted the Athens County Auditor to withhold the delinquent amounts, including penalties, from the Village's second half real estate tax settlements.

We recommend the Village Fiscal Officer take the care necessary to ensure Ohio Police and fire withholdings and employer contributions are being remitted on a timely basis to avoid penalties.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-011

Noncompliance Citation

Ohio Rev. Code Section 5705.05 prohibits using taxes levied for current expenses to pay debt charges.

The General Fund had two loans outstanding, the proceeds of which were to subsidize general operating costs. Payments made from taxes levied in the General Fund included charges for debt service. Since debt service is not considered a current operating expense, the Village made the payments from an unallowable source.

The Village is also experiencing financial difficulties and is in danger of defaulting on its general obligation notes. We recommend the Village contact their Solicitor prior to issuing debt to determine the legality of any debt issues. We further recommend the Village ensure adequate allowable resources are available to cover the monthly or annual debt payments.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-012

Noncompliance Citation

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 is established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-012 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.10(H) (Continued)

The Village's General Fund reported a deficit fund balance of \$46,656 at December 31, 2008 and a deficit fund balance of \$134,562 at December 31, 2009, which indicates moneys from Special Revenue and Utility Funds were used to cover Village operating costs.

Additionally, we noted the following fees resulting from late payments:

	General	Fire	Street	Park	Water	Street Light	
Vendor	Fund	Fund	Maintenance	Fund	Operating	Fund	Total
			Fund	Fund	Fund	Fund	
American Electric Power	\$ 44.41	\$ 85.57	\$ -	\$ -	\$ -	\$ 42.48	\$ 172.46
Burr Oak Regional Water District	-	-	-	-	2,757.43	-	2,757.43
Columbia Gas	0.50	-	-	-	-	-	0.50
Embarq Telecom	30.00	20.00	-	-	-	-	50.00
Glouster E-Z Mart	124.46	102.31	136.00	-	-	-	362.77
Ohio Treasurer of State	-	-	-	-	57.41	-	57.41
Perry & Associates	368.18	-	-	-	-	-	368.18
Tansky Motors	10.56	-	-	-	-	-	10.56
TCCI Laboratories	-	-	-	-	58.00	-	58.00
TTWWD	<u>28.00</u>	<u>28.14</u>	<u>-</u>	<u>29.30</u>	<u>-</u>	<u>-</u>	<u>85.44</u>
Total Late Fees	\$ 606.11	\$236.02	\$ 136.00	\$29.30	\$2,872.84	\$ 42.48	\$ 3,922.75

We recommend the Village take the necessary steps to avoid late fees and penalties by paying vendors in a timely manner.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-013

Noncompliance Citation

Ohio Rev. Code Section 5705.31(A) and (D) requires the budget commission to ascertain that certain levies have been properly authorized including all levies for debt charges not provided for by levies in excess of the ten-mill limitation, including levies necessary to pay notes issued for emergency purposes, as well as a minimum levy within the ten-mill limitation for the current expense and debt service of each subdivision or taxing unit.

The Village issued debt in a prior period to subsidize the General Fund for operational purposes. The Village did not inform the County Budget Commission to allow them to ascertain that all levies were properly authorized and divided the income generated by those levies to a debt service fund where appropriate. This resulted in the Village expending restricted funds for unallowable purposes.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-013 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.31(A) and (D) (Continued)

We recommend the Village consult with their Solicitor or Bond Counsel prior to issuing debt. Additionally, we recommend the Village contact the County Budget Commission to verify adequate resources outside the current operating levy will be available to cover such debt.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-014

Noncompliance Citation

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

The Village did not file the certificate with the County Auditor for 2008 or 2009.

As a result the Village was unable to properly budget their expenditures, which could lead to expending more money than is available.

We recommend the Village file the certificate with the County Auditor on or about the first day of each fiscal year.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-015

Noncompliance Citation

Ohio Rev. Code Section 5705.38(A) requires that 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 no later than April 1.

The Village did not pass the required Appropriation Measure for 2008 or 2009. As a result, all of the Village's expenditures during 2009 and 2008 were made in the absence of legal appropriations.

We recommend the Village pass a resolution authorizing an appropriation measure at the beginning of each year.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-016

Noncompliance Citation

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

During 2008 and 2009, the Village failed to pass an Appropriation Measure. As a result, all expenditures during the both of these years were made in absence of legal appropriations.

Failure to properly appropriate expenditures could and did result in negative fund balances for the Village.

We recommend the Village pass an appropriation measure at the beginning of every year. We further recommend that no money be expended if it has not been properly appropriated by the Village Council.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-017

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.

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.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-017 (Continued)

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

3. Super Blanket Certificate – The entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify expenditures during 2008 and 2009 and there was no evidence that the Village followed the aforementioned exceptions.

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 that the Fiscal Officer certify that the funds are or will be available prior to the Village incurring obligations. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-018

Noncompliance Citation

Ohio Rev. Code Section 5747.07(E) in part states that every employer shall file, not later than the last day of the month following the end of each calendar quarter, a return covering, but not limited to, both the actual amount deducted and withheld and the amount required to be deducted and withheld for the tax imposed under this calendar during each partial weekly withholding period during the quarter.

The Village did not remit state tax contributions on a timely basis, nor did the Village provide the required state tax return. The current Village Fiscal Officer contacted the Ohio Department of Taxation for assistance in determining the Village's liability and learned the former Fiscal Officer contacted the Ohio Department of Taxation at the end of 2005 to close the Village's account, stating there were no employees from which state income taxes applied. This matter will be referred to the Ohio Department of Taxation.

We recommend the Village Fiscal Officer reactivate the account and remit state taxes on a timely basis to avoid late fees and penalties, and maintain the appropriate documentation.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-019

Noncompliance Citation and Material Weakness

Ohio Admin. Code 117-2-02 requires all local public offices to 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 required by rule 117-2-03 of the Administrative Code.

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 payer, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (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.

In addition, all local public offices should maintain or provide a report similar to the following payroll records:

- W-2's, W-4's and other withholding records and authorizations.
- Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
- Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
- Information regarding nonmonetary benefits such as car usage and life insurance.
- Information, by employee, regarding leave balances and usage.

Using these 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.

During the audit period, the Village did not maintain a cash journal, receipts ledger, appropriation ledger, or payroll journal. There was no indication of performance of bank reconciliations. There was also no indication of a receipt book to document date and source of items received. In addition, personnel files did not include hiring authorizations or documentation of approved pay rates. Several personnel files did not include PERS forms, W-4's or IT-4's. No timecards or timesheets were kept and there was no indication of tracking of vacation or sick leave accrual and usage. As a result, the Village was unable to prepare an accurate and complete set of financial statements for the audit period.

Failure to maintain adequate accounting records restricts the Village's ability to monitor its financial activity and status, eliminating key management tools for making sound financial decisions.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-019 (Continued)

Noncompliance Citation and Material Weakness - Ohio Admin. Code 117-2-02 (Continued)

We recommend the Village utilize an accounting system in accordance with Ohio Admin. Code 117-2-02.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-020

Noncompliance Citation

26 C.F.R. Section 1.6041-1 requires the Village to issue a 1099-MISC to any contractor who performed services and received payment of \$600 or more during the calendar year.

The Village paid private contractors for work related to an Ohio Department of Natural Resources grant for refurbishing the park. These contractors were paid more than \$600 during the calendar year. However, there was no indication the Village issued a 1099-MISC to any of the private contractors, which can result in the assessment of interest and penalties.

We recommend the Village Fiscal Officer issue the required 1099-MISC forms prior to February 15 in the year following the year the work was performed. This matter will be referred to the Internal Revenue Service.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-021

Noncompliance Citation

26 U.S.C. Section 3403 states in part, the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

While the payroll records indicated Medicare and federal income taxes were withheld from the employees' and officials' gross pay, we found no evidence the amounts withheld, along with any employer matches were remitted as required. Additionally, the Village could not provide copies of quarterly 941 reports. This can result in a significant tax liability, plus penalties and interest for the Village.

We recommend the Village Fiscal Officer remit federal income taxes withheld on a timely basis. Additionally, the Village Fiscal Officer should maintain documentation concerning the remittance of federal income taxes as well as the required reports. This matter will be referred to the Internal Revenue Service.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-022

Noncompliance Citation

Jacksonville Village Ordinance 01-05-08(A) Rule 10 states once each year, prior to the first Monday in September, all delinquent water bills will be tallied, and sent to the County Auditor for inclusion as liens on the Real Property Tax Duplicate, for the property upon which the water bill is delinquent.

The September 8, 2008 list of properties with delinquent water bills as of August 31, 2008 was certified to the Athens County Auditor reporting only 11 delinquent accounts totaling \$4,418.88. This list omitted eight additional accounts with delinquent bills totaling \$5,479.42.

The Village did not file the required list to the County Auditor in 2009; however, testing indicated 34 properties with delinquent utility accounts at August 31, 2009 totaling \$17,555.44.

The failure to subject all delinquent water accounts to the same collection procedures mandated by the Village's own Ordinance can result in undue financial hardship for the Village.

We recommend Village Council, as a quorum, regularly obtain and review delinquent lists directly from the Trimble Wastewater Treatment District and enforce collection procedures as mandated by Ordinance 01-05-08(A) Rule 10. We further recommend the Village Fiscal Officer certify the required delinquent list to the County Auditor in order to facilitate the timely collection of delinquent water bills.

Officials' Response: The Village Officials are taking the necessary steps to ensure future compliance.

FINDING NUMBER 2009-023

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

Actual revenues and expenses should be compared to budgeted amounts each month, and reported to and reviewed by the Village Council. The Village Council should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to management about the reasons. Additionally, the Village Council should compare their actual cash balance to budgeted cash balance at the end of each month. When the actual cash balance is below the budgeted cash balance, the Council should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance. In addition, the Village Council should review and approve bank reconciliations and expenditures monthly.

There was no documentation supporting the Village Council review of monthly bank reconciliations for any Village account, approval of expenditures for any of the months in 2008 and 2009, or the extent to which the Council used financial information to monitor the financial activity of the Village. The lack of financial information provided to the Council for monthly review hampers the Council's ability to effectively monitor the financial activity and position of the Village.

The lack of controls over expenditures and financial reporting adversely affected 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:

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING NUMBER 2009-023 (Continued)

Material Weakness (Continued)

The Village Council should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information can help answer questions such as the following:

Inquiries Relevant to Overall Village Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Is the Village able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Village, we recommend the Council members review and accept/approve the monthly financial information provided by the Village Fiscal Officer. We recommend that the Fiscal Officer provide a detailed budget and financial statements, cash balances, and checks paid, and completed bank reconciliations for each regular Council meeting. The review of this information should be noted in the minutes of the meetings of the Council.

Officials' Response: The Village Officials are taking the necessary steps to improve internal controls.

FINDING NUMBER 2009-024

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Village's staff did not allow for an adequate segregation of duties; the Village Fiscal Officer was responsible for all accounting functions. It is therefore important that the Village Council function as a finance committee to monitor financial activity closely. There was no documentation of the extent to which the Village Council reviewed bank reconciliations, financial reports and records to monitor financial activity of the Village.

This resulted in the ledgers of the Village not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Village's annual financial statements without the timely knowledge of the Village Council.

We recommend financial information be presented to the Village Council on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Village's cashbook to gain assurances that the records are posted up to date, in agreement with the presented reports and reflect authorized transactions. These minute record should reflect these reviews.

Officials' Response: The Village Officials are taking the necessary steps to improve internal controls.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Admin. Code Section 117-2-02 – Lack of accounting records, reconciliations, budgetary records, payroll withholding records and authorizations	No	Not Corrected; Reissued as Finding Number 2009-019.
2007-002	Ohio Rev. Code Section 117.38 – Failure to file the 2007 and 2006 annual reports with the AOS.	No	Not Corrected; Reissued as Finding Number 2009-004.
2007-003	Ohio Rev. Code Section 121.22 – Advertising meeting dates.	No	Not Corrected; Reissued as Finding Number 2009-005.
2007-004	Ohio Rev. Code Section 145.47 – Not remitting OPERS contributions timely.	No	Not Corrected; Reissued as Finding Number 2009-006.
2007-005	Ohio Rev. Code Section 733.40 – Untimely pay in from Mayor’s Court to the Village and lack of separate Agency Fund ledgers	No	Not Corrected; Reissued as Finding Number 2009-009.
2007-006	Ohio Rev. Code Section 742.35 - Not remitting OP&F contributions timely.	No	Not Corrected; Reissued as Finding Number 2009-010.
2007-007	Ohio Rev. Code Section 5705.10(H) – Deficit Fund Balances.	No	Not Corrected; Reissued as Finding Number 2009-012.
2007-008	Ohio Rev. Code Section 5705.36 – Certification of available balances	No	Not Corrected; Reissued as Finding Number 2009-014.
2007-009	Ohio Rev. Code Section 5705.41(B) – Actual Disbursements exceeded Appropriation.	No	Not Corrected; Reissued as Finding Number 2009-016.
2007-010	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 2009-017.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-011	Ohio Rev. Code Section 5747.07(E) - Not remitting federal income tax withholdings timely.		Not Corrected; Reissued as Finding Number 2009-018.
2007-012	Material Weakness – Lack of accounting records.	No	Not Corrected; Reissued as Finding Number 2009-019.
2007-013	Material Weakness – Lack of monitoring.		Not Corrected; Reissued as Finding Number 2009-023.
2007-014	Significant Deficiency relating to posting of Estimated Revenues and Appropriations.	No	Not Corrected; Reissued as Finding Number 2009-019.

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Dave Yost • Auditor of State

VILLAGE OF JACKSONVILLE

ATHENS 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
MARCH 3, 2011