



**VILLAGE OF JAMESTOWN
GREENE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund – For the Year Ended December 31, 1998	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1997	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type and Similar Fiduciary Fund – For the Year Ended December 31, 1997	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	19

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Jamestown
Greene County
84 Seaman Drive
Jamestown, Ohio 45335-1589

To the Village Council:

We have audited the accompanying financial statements of the Village of Jamestown, Greene County, (the Village) as of and for the years ended December 31, 1998 and 1997. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1998 and 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 1999 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

November 4, 1999

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$58,352	\$283,706	\$342,058
Intergovernmental Receipts	130,554	72,033	202,587
Charges for Services	9,000	157	9,157
Fines, Licenses, and Permits	23,825	1,315	25,140
Miscellaneous	6,966	3,599	10,565
	<u>228,697</u>	<u>360,810</u>	<u>589,507</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	31,736	193,951	225,687
Public Health Services	3,306		3,306
Leisure Time Activities	3,760	7,044	10,804
Community Environment	2,400		2,400
Transportation		52,097	52,097
General Government	185,357	15,130	200,487
Capital Outlay	43,400	19,556	62,956
	<u>269,959</u>	<u>287,778</u>	<u>557,737</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(41,262)</u>	<u>73,032</u>	<u>31,770</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	25,758		25,758
Proceeds from the Sale of Fixed Assets	1,870		1,870
Transfers-In		25,000	25,000
Transfers-Out	0	(25,000)	(25,000)
	<u>27,628</u>	<u>0</u>	<u>27,628</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,634)	73,032	59,398
Fund Cash Balances January 1	<u>65,577</u>	<u>181,265</u>	<u>246,842</u>
Fund Cash Balances, December 31	<u>\$51,943</u>	<u>\$254,297</u>	<u>\$306,240</u>
Reserves for Encumbrances, December 31	<u>\$8,625</u>	<u>\$0</u>	<u>\$8,625</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type	Fiduciary Fund	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$262,422		\$262,422
Fines		28,192	\$28,192
Miscellaneous	14,002	0	14,002
Total Operating Cash Receipts	<u>276,424</u>	<u>28,192</u>	<u>304,616</u>
Operating Cash Disbursements:			
Personal Services	84,630		84,630
Contractual Services	54,154		54,154
Supplies and Materials	59,428		59,428
Distribution of Fine Monies	0	28,166	28,166
Total Operating Cash Disbursements	<u>198,212</u>	<u>28,166</u>	<u>226,378</u>
Operating Income/(Loss)	<u>78,212</u>	<u>26</u>	<u>78,238</u>
Non-Operating Cash Disbursements:			
Debt Service	42,853		42,853
Other Non-Operating Cash Disbursements	800		800
Total Non-Operating Cash Disbursements	<u>43,653</u>	<u>0</u>	<u>43,653</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	34,559	26	34,585
Transfers-In	61,000		61,000
Transfers-Out	<u>(61,000)</u>	<u>0</u>	<u>(61,000)</u>
Net Receipts Over/(Under) Disbursements	34,559	26	34,585
Fund Cash Balances, January 1	<u>232,114</u>	<u>39</u>	<u>232,153</u>
Fund Cash Balances, December 31	<u>\$266,673</u>	<u>\$65</u>	<u>\$266,738</u>
Reserve for Encumbrances, December 31	<u>\$7,539</u>	<u>\$0</u>	<u>\$7,539</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$34,616	\$280,621	\$315,237
Intergovernmental Receipts	95,391	91,486	186,877
Charges for Services	13,446	1,226	14,672
Fines, Licenses, and Permits	27,262		27,262
Miscellaneous	9,536	3,870	13,406
	<u>180,251</u>	<u>377,203</u>	<u>557,454</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	32,960	175,721	208,681
Public Health Services	3,306		3,306
Leisure Time Activities	5,542		5,542
Community Environment	2,400		2,400
Transportation		50,702	50,702
General Government	74,952	67,786	142,738
Debt Service:			
Principal Payments		89,478	89,478
Capital Outlay	25,372		25,372
	<u>144,532</u>	<u>383,687</u>	<u>528,219</u>
Total Disbursements			
Total Receipts Over/(Under) Disbursements	<u>35,719</u>	<u>(6,484)</u>	<u>29,235</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	6,241	5,000	11,241
Transfers-In		25,000	25,000
Transfers-Out		(25,000)	(25,000)
	<u>6,241</u>	<u>5,000</u>	<u>11,241</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	41,960	(1,484)	40,476
Fund Cash Balances January 1	<u>23,617</u>	<u>182,749</u>	<u>206,366</u>
Fund Cash Balances, December 31	<u>\$65,577</u>	<u>\$181,265</u>	<u>\$246,842</u>
Reserves for Encumbrances, December 31	<u>\$8,686</u>	<u>\$0</u>	<u>\$8,686</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$272,101		\$272,101
Fines		37,482	37,482
Miscellaneous	6,798		6,798
	<u>278,899</u>	<u>37,482</u>	<u>316,381</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	84,292		84,292
Contractual Services	64,901		64,901
Supplies and Materials	40,238		40,238
Distribution of Fines		41,067	41,067
Capital Outlay	9,000		9,000
	<u>198,431</u>	<u>41,067</u>	<u>239,498</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>80,468</u>	<u>(3,585)</u>	<u>76,883</u>
Non-Operating Cash Disbursements:			
Debt Service	49,956		49,956
Other Non-Operating Cash Disbursements	300	0	300
	<u>50,256</u>	<u>0</u>	<u>50,256</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	30,212	(3,585)	26,627
Transfers-In	54,500		54,500
Transfers-Out	(54,500)	0	(54,500)
	<u>30,212</u>	<u>(3,585)</u>	<u>26,627</u>
Net Receipts Over/(Under) Disbursements			
Fund Cash Balances, January 1	<u>201,902</u>	<u>3,624</u>	<u>205,526</u>
Fund Cash Balances, December 31	<u>\$232,114</u>	<u>\$39</u>	<u>\$232,153</u>
Reserve for Encumbrances, December 31	<u>\$4,000</u>	<u>\$0</u>	<u>\$4,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jamestown, Greene County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Police Protection Fund - This fund receives income and property tax money to provide police protection for the Village.

Income Tax Fund - This fund receives proceeds from the Village's income tax levy and distributes the money to the Police Protection Fund and makes disbursements for various Village activities.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

4. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayors Court Fund - This fund is used to account for the activities of the Mayor's Court. This includes fines levied by the court and the distribution of fine monies from the court.

E. 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not use the encumbrance method of accounting as required under Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1998</u>	<u>1997</u>
Demand deposits	\$432,978	\$478,995
Certificates of deposit	140,000	
Total deposits	572,978	478,995

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 221,488	\$ 256,325	\$ 34,837
Special Revenue	401,528	385,810	(15,718)
Enterprise	328,000	337,424	9,424
Total	\$ 951,016	\$ 979,559	\$ 28,543

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$171,419	\$278,584	(\$107,165)
Special Revenue	421,402	312,778	108,624
Enterprise	538,475	310,404	228,071
Total	<u>\$1,131,296</u>	<u>\$901,766</u>	<u>\$229,530</u>

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 193,285	\$ 186,492	\$ (6,793)
Special Revenue	384,111	407,203	23,092
Enterprise	329,000	333,399	4,399
Total	<u>\$ 906,396</u>	<u>\$ 927,094</u>	<u>\$ 20,698</u>

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$146,496	\$153,218	(\$6,722)
Special Revenue	544,147	408,687	135,460
Enterprise	508,464	307,187	201,277
Total	<u>\$1,199,107</u>	<u>\$869,092</u>	<u>\$330,015</u>

4. PROPERTY TAX

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. DEBT

Debt outstanding at December 31, 1998 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	415,000	5%
Total	\$415,000	

The mortgage revenue bonds are secured by water and sewer receipts.

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

Year ending December 31:	Mortgage Revenue Bonds
1999	\$36,750
2000	36,950
2001	37,100
2002	37,200
2003	36,250
Subsequent	441,200
Total	\$625,450

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although the outcome of the suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

9. SUBSEQUENT EVENTS

On November 9, 1999, the Auditor of State issued a Special Audit Report where they reported on procedures agreed upon with the Village for the period of January 1, 1996 through June 30, 1999. Those procedures involved a review of payroll and non-payroll expenditures and utility billings made to the former clerk-treasurer and the police chief. These procedures resulted in findings for recovery totaling \$46,540.

10. YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

The Village has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting Village operations and has identified the utility billings system as requiring year 2000 remediation.

As of December 31, 1998, the utility billings system is not year 2000 compliant. The Village has a viable contingency plan to reasonably assure continued operation should the system not continue to operate as a result of the year 2000 issue.

The State of Ohio and Greene County distributes a substantial sum of money to the Village in the form of intergovernmental and tax revenue. The State of Ohio and Greene County are responsible for remediating these systems and are solely responsible for all associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.

11. Accountability and Compliance

Ohio Revised Code requires the Village pass an appropriation measure on or about the first day of the fiscal year. The Village did not approve an appropriation resolution until March 17, 1997 and February 2, 1998 for the fiscal years ending 1997 and 1998 respectively.

The Ohio Administrative Code requires the Village use a uniform system of accounting prescribed by the Administrative Code. This system requires the maintenance of a cash journal, a receipts ledger and an appropriation ledger. The Village did not maintain all of these required ledgers.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

11. Accountability and Compliance (Continued)

Ohio Revised Code prohibits budgetary expenditures from exceeding appropriations. The Village had the following instances where budgetary expenditures exceeded appropriations:

Fund	Year	Appropriations	Budgetary Expenditures	Budgetary Expenditures in Excess of Appropriations
Police Protection	1997	\$171,859	\$174,510	\$2,651
Police Equipment	1997	0	3,786	3,786
General Equipment	1997	0	1,682	1,682
General	1998	171,419	269,959	98,540
Police Protection	1998	179,000	192,025	13,025
Police Equipment	1998	0	286	286
General Equipment	1998	0	209	209
Street Equipment	1998	0	474	474

Village policy requires that employee pay rates be established by the Village Council. The Village was unable to provide documentation supporting the establishment of wages for Village employees.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Jamestown
Greene County
84 Seaman Drive
Jamestown, Ohio 45335

To the Village Council:

We have audited the financial statements of the Village of Jamestown, Greene County (the Village), as of and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated November 4, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1998-30329-001 through 1998-30329-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 4, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-30329-006 through 1998-30329-012.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider items 1998-30329-006 through 1998-30329-009 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 4, 1999.

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

Jim Petro
Auditor of State

November 4, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-30329-001

Noncompliance Citation

Failure to Encumber Funds

Ohio Rev. Code § 5705.41 (D), states that no order or contract involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

Ohio Rev. Code Section 5705.41 (D) (1), provides that if prior certification of funds by the fiscal officer was not obtained before the contract or order involving the expenditure of funds was made, as described above, then the fiscal officer may instead certify that there was at the time of making such contract or order and at the time of execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. When the fiscal officer is using a then and now certificate and the amount certified exceeds \$1,000, the fiscal officer must obtain the legislative authority's approval by resolution or ordinance. This approval must be obtained within 30 days by ordinance or resolution and within 30 days of the legislative authority's receipt of the certificate.

The Village did not prepare a fiscal officer's certificate for any of the expenditures tested. Therefore, the Village was in violation of the above provisions, including the exception listed above which indicates the fiscal officer could not properly certify that the funds were free from prior encumbrances as is required by the aforementioned Section.

To help ensure compliance with the above referenced Section of Code and to help ensure the Village does not incur liabilities for which appropriations for monies are not available to meet the obligation, the Village should take steps to ensure all orders or contracts receive the proper certification from the fiscal officer prior to a liability being incurred by the Village.

FINDING NUMBER 1998-30329-002

Noncompliance Citation

Passing the Annual Appropriation Measure

Ohio Rev. Code § 5705.38, requires that the appropriation measure be passed on or about the first day of each fiscal year. The Village can 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 balance until April 1, but it must pass a temporary appropriation measure for meeting the ordinary expenses.

The appropriation measures were passed by Village Council on March 17, 1997 and February 2, 1998, for the 1997 and 1998 fiscal years, respectively. The minutes did not indicate the Village passed a temporary appropriation measure.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-002 (Continued)

Failure to pass an appropriation measure at the beginning of the fiscal year could result in expenditures being made which are inconsistent with management's intentions and resulted in the Village having expenditures in excess of appropriations from the beginning of the year through the date the appropriation resolutions were passed. To reduce these risk and to help ensure compliance with the above referenced Section of Code, the Village should take steps to ensure either the annual appropriation measure or a temporary appropriation measure is passed by the required date.

FINDING NUMBER 1998-30329-003

Noncompliance Citation

Maintenance of Accounting Records

Ohio Admin. Code Section 117-5-01 requires that the Village employ a uniform system of accounting prescribed by Ohio Admin. Code Sections 117-5-02 through 117-5-08. This uniform system of accounting requires that the Village maintain a cash journal, a receipts ledger and an appropriation ledger. The Village maintained the cash journal, but it contained numerous errors including a number of items which were not posted, or posted incorrectly and items which did not include the proper account code to allow for proper posting to the receipts or appropriation ledgers. The receipts and appropriation ledgers maintained by the Village included only a few of the financial transactions handled by the Village during the audit period.

Failure to maintain complete and accurate financial records resulted in the Village not being able to reconcile cash, provide financial reports to Council or other management personnel and could result in monies being misappropriated and not being detected in a timely manner by the Village. To reduce this risk and to ensure compliance with the above referenced Section of Code, the Village should take steps to ensure all financial information pertaining to the Village be accurately and completely reflected in the cash journal, receipts ledger and appropriation ledger.

FINDING NUMBER 1998-30329-004

Noncompliance Citation

Expenditures in Excess of Appropriations

Ohio Rev. Code, § 5705.41 (B) prohibits budgetary expenditures (cash disbursements plus outstanding encumbrances) from exceeding appropriations at the legal level of control. The legal level of control is level at which the appropriations are approved by the Village Council. The results of our testing revealed the following instances where budgetary expenditures exceeded appropriations:

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-004 (Continued)

Fund	Year	Appropriations	Budgetary Expenditures	Budgetary Expenditures in Excess of Appropriations
Police Protection	1997	\$171,859	\$174,510	\$2,651
Police Equipment	1997	0	3,786	3,786
General Equipment	1997	0	1,682	1,682
General	1998	171,419	269,959	98,540
Police Protection	1998	179,000	192,025	13,025
Police Equipment	1998	0	286	286
General Equipment	1998	0	209	209
Street Equipment	1998	0	474	474

Having budgetary expenditures in excess of appropriations could result in the Village incurring deficit balances within individual funds. To reduce this risk and ensure compliance with the above referenced Section of Code, the Village should monitor expenditures to ensure they do not exceed appropriations as approved by the Village Council. In situations where the Village projects budgetary expenditures will exceed appropriations, the Village Council should pass an appropriation amendment.

FINDING NUMBER 1998-30329-005

Noncompliance Citation

Established Salary Rates

Section IV B of the Ordinance of Personnel Policies and Procedures for the Jamestown Village Employees states, "The village council will establish the pay rates for all village employees." The Village Council did not record established pay rates for its employees in the Village Minute Record or in the employees' personnel files. Without establishing pay rates in the Minute Record uncertainty can arise with regard to the correct, authorized salaries to be paid. Additionally, when the Village Council is unsure as to authorized salaries for its employees, monitoring controls over payroll expenditures cannot function appropriately to ensure employees receive no more or less than the salary they are authorized to receive.

The Village Council should approve all salaries through the official Minute Record and maintain copies of official documentation in each employees' personnel file.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-006

Material Weakness

Maintaining and Posting of Leave Balances

Based on a review for all Village employees, the following weaknesses were identified over the Village's maintenance and posting of leave records:

- Leave balances maintained for employees were not accurate and did not include all leave activity for the employees.
- Vacation leave was credited to employees at the beginning of the fiscal year rather than as the leave was earned.
- Leave policies did not reflect the Village's intentions for rules governing leave including allowing the payment of unused sick leave prior to retirement, allowing vacation leave to be cashed-in in excess of forty hours a year, and a policy allowing police officers to earn compensatory time in excess of forty-three hours a week.
- Not requiring time sheets be submitted by employees and approved by employees supervisor each pay period.

Failure to implement controls over the maintenance of leave records and failure to adopt policies specific the management's intentions governing leave policies could result in improper payments being made to employees and did result in a Finding for Recovery being issued by the Auditor of State in a Special Audit Report dated September 10, 1999. To reduce the risk of improper payments being made by the Village and to ensure Village policy is consistent with management's intentions the Village should implement the following procedures:

- Ensure all leave activity is posted accurately and timely to employee's leave records maintained by the Clerk/Treasurer. The leave balances and activity should be reported periodically to the employee to ensure balances maintained by the Village are consistent with the employee's records.
- Accrued leave should only be credited to the employees balance once it has been earned. This would require leave to be credited to the employees balance each pay period rather than as one lump sum.
- The Village should carefully read all policies governing the payment, use, earning and carryover of leave balances to ensure they reflect management's intentions. Any policies revisions should be approved in an open public meeting of the Village Council.
- All employees should be required to submit a signed time sheet documenting the hours worked (including any overtime) and leave taken during the pay period. This time sheet should be approved by the employees supervisor and submitted to the Clerk/Treasurer to be used as the basis to pay the employee and to modify the employee's leave balances.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-007

Material Weakness

Preparation and Presentation of Financial Reports

Financial activities of the Village were not reported to the Village Council.

Failure to adequately monitor the financial activity of the Village could result in expenditures not be properly reflected in the financial statements, unallowable expenditures being made, but not detected by the Village in a timely manner or revenues being collected, but not reported on the Village's financial statements.

The Village Clerk-Treasurer should report the financial activity of the Village to the Mayor, the Village Council and all department heads at least monthly. The following financial reports should be prepared:

- Revenue report containing budgeted revenues, year-to-date revenues and month-to-date revenues by fund and account.
- Expenditure report containing appropriations, year-to-date expenditures, month-to-date expenditures and encumbrances outstanding at the end of the report period by fund and account.
- Bank reconciliation showing the reconciliation between the bank and the book balance, as well as, documentation to support reconciling items.
- List of expenditures to be paid.

These financial reports should be reviewed and approved by the Council at their regular meetings. The Council should review to ensure current budgeted resources are sufficient to meet the needs of the Village and that budgetary amendments if necessary are properly approved.

Department heads should review the reports to ensure all financial transactions related to the department are accurately reflected in the financial statements.

FINDING NUMBER 1998-30329-008

Material Weakness

Preparation of Reconciliations

The Village did not prepare monthly cash reconciliations from their bank statement to the balance maintained in their cash journal. In addition, there were no reconciliations between the cash journal and the receipts and appropriation ledgers. Failure to perform accurate and timely reconciliations resulted in the Village's financial activity not being reflected in the Village's financial statements and could result in the misappropriation of assets not being detected by the Village in a timely manner.

To help ensure the financial statements prepared by the Village contain all of the required financial transactions and reduce the risk that Village assets could be misappropriated and not be detected within a timely period, the Village should ensure reconciliations are performed monthly between the balance reported by the bank and the balance maintained in the cash journal. The Village should also perform reconciliations between the cash journal and the receipts and appropriation ledgers.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-009

Material Weakness

Vouchered Disbursement Processing

The Village failed to implement sufficient internal controls over the vouchered disbursements process. Weaknesses noted included;

- No purchase orders used to document approval of expenditure by department head, account coding for the disbursement, or certification of the availability of funds by the Clerk/Treasurer
- No approval of invoices by department head indicating goods or services have been received prior to disbursement being made
- No independent approval of check before the check is released

Failure to perform these basic controls over each disbursement could result in disbursement being made without proper authorization, liabilities being incurred when funds are not available and disbursements being made for unauthorized purposes. To reduce these risks, the Village should at a minimum require the following:

- Purchase orders be approved by the ordering department and the availability of funds certified by the fiscal officer. The Village should also consider requiring approval of all disbursements by the Council.
- Once goods or services have been received the department head should approve the invoice for payment.
- All checks should require the signature of two individuals. One of those individuals is required to be the Clerk/Treasurer the other individual can be the Mayor and/or Council Members.

FINDING NUMBER 1998-30329-010

Reportable Condition

Calculation of Payroll and Related Deductions

Numerous errors were noted in the calculation of gross pay, net pay and deductions from employee's wages. Error amounts were not significant, but were consistently off by immaterial amounts. Failure to ensure payroll calculations are accurate could result in over/under payment to employees and organizations for whom payroll deductions are remitted, fines being incurred by the Village for inaccurate reporting of withholding information.

To reduce this risk, the Village should ensure all payments and withholdings are based accurate numbers and percentages. These amounts and percentages should be used to compute the employees gross pay, deductions and net pay. The calculations should be used to prepare the payroll register each period and the amounts on the payroll register should be reviewed for accuracy and completeness. Once the amounts on the payroll register are determined to be correct, the employees paycheck should be prepared based on the payroll register. Again, each paycheck should be reviewed to ensure it agrees to the payroll register. The payroll register should be used to calculate the withholding remittances. The results of this should be summarized on a separate spreadsheet based on amounts appearing on the applicable payroll registers.

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997
(Continued)**

FINDING NUMBER 1998-30329-011

Reportable Condition

Maintenance of Personnel Files

The Village did not maintain complete personnel files for employees. Failure to maintain complete personnel files could result in errors in the amount paid to employees or amounts withheld from employees wages. To reduce this risk, the Village should take steps to ensure the following information is contained in each employees personnel file:

- authorized pay-rate approved by the Village Council
- deduction authorizations, including retirement and tax information, authorized by the employee
- employee's hire date, this information is necessary to determine vacation hours earned by the employee and whether the employee is eligible for retirement.
- a job description for the employee and any evaluations completed for the employee

FINDING NUMBER 1998-30329-012

Reportable Condition

Policy Manual

The Village does not have a policy/procedure manual detailing the various processes that need to be performed for the handling of financial transactions. A procedure manual is an important part of the control process because it outlines the exact procedures that must be performed and who is responsible for those procedures. Without a procedure manual, there is no clear instruction for the performance of routine tasks at the Village, and the staff have no source of reference when they experience uncertainty.

The Village should establish a procedure manual that details the procedures and processes that need to be performed for various functions of the Village's operations, including; hiring a new employee, processing payroll transactions, processing vouchered disbursements, handling receipt transactions, and other areas the Village considers necessary. The procedure manual should state what position or person is responsible for each process or procedure. This policy manual should be distributed to all effected personnel. The procedure manual should be in enough detail that should a change in the personnel of the Village occur, the Village will be able to continue to operate unaffected by the change.



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VILLAGE OF JAMESTOWN

GREENE 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
FEBRUARY 1, 2000**