

VILLAGE OF JACKSONVILLE
ATHENS COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2003 AND 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com



**Auditor of State
Betty Montgomery**

Village Council
Village of Jacksonville
38 South Sixth Street
Jacksonville, Ohio 45740

We have reviewed the Independent Auditor's Report of the Village of Jacksonville, Athens County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 to December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Jacksonville is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 14, 2004

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ATHENS COUNTY
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Ohio Society of Certified Public Accountants

Independent Auditors' Report

Village of Jacksonville
Athens County
38 South Sixth Street
Jacksonville, Ohio 45740

To the Village Council:

We have audited the accompanying financial statements of Village of Jacksonville, Athens County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide 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 principals.

The financial statements referred to above do not include the fiduciary fund type, Agency fund (Mayor's Court) for the year ended December 31, 2002, which should have been included in order to conform with the basis of accounting described in Note 1. The amount that should be recorded in the agency fund is not known.

In our opinion, except for the effect on the financial statement of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Jacksonville, Athens County, Ohio as of December 31, 2003 and December 31, 2002, 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 October 21, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the Village Council, Mayor, management 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.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2004

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$20,588	\$19,086	\$0	\$39,674
Intergovernmental	13,013	19,127	0	32,140
Charges for Services	0	12,200	0	12,200
Fines, Licenses, and Permits	7,997	0	0	7,997
Interest	96	18	0	114
Miscellaneous	600	3,712	0	4,312
Total Cash Receipts:	42,294	54,143	0	96,437
Cash Disbursements:				
Security of Persons and Property	18,469	31,351	0	49,820
Public Health Service	293	0	0	293
Leisure Time Activities	2,663	0	0	2,663
Transportation	0	10,172	0	10,172
General Government	24,782	4,794	0	29,576
Capital Outlay	0	11	0	11
Debt Service:				
Principal	0	0	27,585	27,585
Interest	0	0	926	926
Total Cash Disbursements	46,207	46,328	28,511	121,046
Total Cash Receipts Over/ (Under) Cash Disbursements	(3,913)	7,815	(28,511)	(24,609)
Other Financing Receipts and/or (Disbursements):				
Sale of Fixed Assets	0	600	0	600
Sale of Notes	0	0	18,107	18,107
Transfers-In	0	0	10,404	10,404
Transfers-Out	0	(8,404)	0	(8,404)
Total Other Financing Receipts/(Disbursements):	0	(7,804)	28,511	20,707
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,913)	11	0	(3,902)
Fund Cash Balances, January 1, 2003	9,439	26,604	0	36,043
Fund Cash Balances, December 31, 2003	\$5,526	\$26,615	\$0	\$32,141

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

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Agency</u>	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$99,306	\$0	\$99,306
Miscellaneous	508	0	508
Total Operating Cash Receipts	<u>99,814</u>	<u>0</u>	<u>99,814</u>
Operating Cash Disbursements:			
Personal Service	5,979	0	5,979
Contractual Services	59,945	0	59,945
Supplies and Materials	9,079	0	9,079
Capital Outlay	4,692	0	4,692
Total Operating Cash Disbursements	<u>79,695</u>	<u>0</u>	<u>79,695</u>
Operating Income/(Loss)	20,119	0	20,119
Non-Operating Cash Receipts (Disbursements):			
Other Non-Operating Cash Receipts	0	6,685	6,685
Transfers-In	8,387	0	8,387
Debt Service	(28,242)	0	(28,242)
Other Non-Operating Cash Disbursements	(200)	(8,792)	(8,992)
Transfers-Out	(10,387)	0	(10,387)
Total Non-Operating Cash Receipts (Disbursements):	<u>(30,442)</u>	<u>(2,107)</u>	<u>(32,549)</u>
Net Receipts Over/(Under) Disbursements	(10,323)	(2,107)	(12,430)
Fund Cash Balances, January 1, 2003	<u>50,360</u>	<u>2,947</u>	<u>53,307</u>
Fund Cash Balances, December 31, 2003	<u>\$40,037</u>	<u>\$840</u>	<u>\$40,877</u>

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

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property and Local Taxes	\$17,688	\$8,986	\$0	\$26,674
Intergovernmental	19,220	23,778	0	42,998
Charges for Services	0	5,700	0	5,700
Fines, Licenses, and Permits	712	0	0	712
Interest	537	62	0	599
Miscellaneous	637	878	0	1,515
Total Cash Receipts:	38,794	39,404	0	78,198
Cash Disbursements:				
Security of Persons and Property	16,363	24,430	0	40,793
Public Health Service	277	0	0	277
Leisure Time Activities	5,434	0	0	5,434
Transportation	0	20,610	0	20,610
General Government	28,385	8,468	0	36,853
Capital Outlay	0	31,000	0	31,000
Debt Service:				
Principal	0	0	1,000	1,000
Interest	0	0	579	579
Total Cash Disbursements	50,459	84,508	1,579	136,546
Total Cash Receipts Over/ (Under) Cash Disbursements	(11,665)	(45,104)	(1,579)	(58,348)
Other Financing Receipts and/or (Disbursements):				
Other Debt Proceeds	0	25,000	0	25,000
Transfers-In	0	0	1,579	1,579
Transfers-Out	(1,579)	0	0	(1,579)
Total Other Financing Receipts/(Disbursements):	(1,579)	25,000	1,579	25,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(13,244)	(20,104)	0	(33,348)
Fund Cash Balances, January 1, 2002	22,683	46,708	0	69,391
Fund Cash Balances, December 31, 2002	\$9,439	\$26,604	\$0	\$36,043

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

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES -ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Type Enterprise
Operating Cash Receipts:	
Charges for Services	\$97,587
Miscellaneous	884
	98,471
Total Operating Cash Receipts	98,471
Operating Cash Disbursements:	
Personal Service	3,421
Contractual Services	54,313
Supplies and Materials	1,857
Capital Outlay	21,202
	80,793
Total Operating Cash Disbursements	80,793
Operating Income/(Loss)	17,678
Non-Operating Cash Receipts (Disbursements):	
Other Non-Operating Cash Receipts	0
Transfers-In	3,034
Debt Service	(25,230)
Other Non-Operating Cash Disbursements	(100)
Transfers-Out	(3,034)
	(25,330)
Total Non-Operating Cash Receipts (Disbursements):	(25,330)
Net Receipts Over/(Under) Disbursements	(7,652)
Fund Cash Balances, January 1, 2002	58,012
Fund Cash Balances, December 31, 2002	\$50,360

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, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Village of Jacksonville, Athens 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, Mayor and Clerk. The Village provides general governmental services, including maintenance of streets, water utility services, park operations (leisure time activities) and fire protection services. The Village contracts with the Village of Glouster for police protection services.

The Village is associated with the Trimble Township Wastewater Treatment District, which is defined as a jointly governed organization. This organization is presented in Note 8.

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. Deposits and Investments

The Village has deposits in an interest bearing checking account and STAROhio. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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:

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

Fire Levy Fund- This fund receives property tax money to provide fire protection for the residents of the Village.

3. Debt Service Funds

General Obligation Fund- Street Note- This fund receives transfers from the General and Street Construction, Maintenance and Repair Fund for the payment of principal and interest on a note issued for street paving.

4. Enterprise Funds

These funds accounted 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 Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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

Water Trust Fund- This fund receives charges for services from residents for payment of future water utility improvements in the Village.

Guaranteed Deposit Fund- This fund receives money from deposits for water service. This money is returned when the service is discontinued.

5. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village has the following Agency Fund:

Mayor's Court Fund – This fund accounts for the financial activity of the Mayor's Court.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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.

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:

	2003	2002
Demand Deposits	\$50,601	\$36,252
Total Deposits	50,601	36,252
STAROhio	22,417	50,151
Total Investments	22,417	50,151
Total Deposits and Investments	\$73,018	\$86,403

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,500	\$42,294	\$4,794
Special Revenue	45,600	54,743	9,143
Debt Service	6,000	28,511	22,511
Enterprise	80,000	108,200	28,201
Total	\$169,100	\$233,749	\$64,649

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,392	\$46,207	(\$1,815)
Special Revenue	59,665	54,732	4,933
Debt Service	6,000	28,511	(22,511)
Enterprise	117,150	118,535	(1,385)
Total	\$227,207	\$247,985	(\$20,778)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,426	\$38,794	\$3,368
Special Revenue	36,950	64,404	27,454
Debt Service	0	1,579	1,579
Enterprise	74,000	101,505	27,505
Total	\$146,376	\$206,282	\$59,906

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,498	\$52,038	\$2,460
Special Revenue	80,621	84,508	(3,887)
Debt Service	2,000	1,579	421
Enterprise	99,000	109,157	(10,157)
Total	\$236,119	\$247,282	(\$11,163)

During 2002, budgetary expenditures exceeded appropriation authority in the Fire Levy and Water Operating Funds by \$4,999 and \$11,525, respectively. During 2002, the appropriations exceeded estimated revenue in the Street Construction, Maintenance and Repair Fund by \$16,100 and Street Note Fund by \$2,000. During 2003, the appropriations exceeded estimated revenue in the Permissive Tax Fund by \$3,000. The Street Note Fund expenditures exceeded appropriations by \$22,511 in 2003.

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by the 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 payments, 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, 2003, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Improvement Bonds	\$235,626	5.88%
Street Note	<u>14,522</u>	4.925%
Total	\$250,148	

The Water Improvement Bonds relate to the replacement/installation of waterlines in the Village. Revenue from the water system has been pledged to repay this debt. The Street Note was obtained for street paving.

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

Year Ending December 31:	Water Improvement Bonds	Street Note	Total
2004	\$18,787	\$14,732	\$33,519
2005	18,764	0	18,764
2006	18,829	0	18,829
2007	18,776	0	18,776
2008	18,812	0	18,812
2009-2013	94,077	0	94,077
2014-2018	93,871	0	93,871
2019-2023	93,781	0	93,781
Thereafter	149,113	0	149,113
Total	<u>\$524,810</u>	<u>\$14,732</u>	<u>\$539,542</u>

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

6. RETIREMENT SYSTEMS

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2003 and 2002, members of PERS 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, 2003.

7. RISK MANAGEMENT

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 insurance coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. EP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP's losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures specific losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do 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, 2002 and 2001 (the latest available information):

Casualty Coverage	2002	2001
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained Earnings	\$11,624,228	\$10,530,870
Property Coverage	2002	2001
Assets	\$2,565,408	\$1,890,323
Liabilities	(655,318)	(469,100)
Retained Earnings	\$1,910,090	\$1,421,223

VILLAGE OF JACKSONVILLE
ATHENS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

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 District operates under the direction of an eight member Board of Trustees whose membership is composed of two appointments from each of the participating subdivisions: 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 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.

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528 South West Street, P.O. Box 687
Piketon, Ohio 45661

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

Village of Jacksonville
Athens County
38 South Sixth Street
Jacksonville, OH 45740

We have audited the accompanying financial statements of Village of Jacksonville, Athens County, Ohio (the Village), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated October 21, 2004, wherein, we have disclaimed our opinion regarding the omission of the 2002 Mayor's Court agency fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 2003-01, 2003-02, 2003-03 and 2003-04. We also noted certain immaterial instances of noncompliance that have been reported to management of the Village in a separate letter dated October 21, 2004.

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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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. The reportable condition is described in the accompanying schedule of findings as item number 2003-05.

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. However, we believe item number 2003-05 to be a material weakness.

Village of Jacksonville
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in
Accordance with *Government Auditing Standards*

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

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

October 21, 2004

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2003-01

Ohio Revised Code Section 5705.36 allows all subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

During 2002, the Street Construction, Maintenance and Repair Fund received \$26,022 more in revenues than what was included in the amended certificate of estimated resources. This excess was appropriated and expended.

During 2003, the Permissive Tax Fund and the Street Note Fund received \$2,978 and \$22,511, respectively, more in revenue than what was included in the amended certificate of estimated resources. This excess was appropriated and expended.

Finding Number 2003-02

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue.

In 2002, the appropriations exceeded estimated revenue in the following funds: Street Construction, Maintenance and Repair Fund, \$16,100 and Street Note Fund, \$2,000.

In 2003, the appropriations exceeded estimated revenue in the Permissive Tax Fund by \$3,000.

Finding Number 2003-03

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2002, expenditures exceeded appropriations in the Fire Levy Fund, Capital Outlay appropriation line item by \$4,999 and in the Water Operating Fund, Capital Outlay appropriation line item by \$11,525. In 2003, expenditures exceeded appropriations in the Street Note Fund, Debt Service appropriation line item by \$4,404.

Finding Number 2003-04

Ohio Revised Code Section 5705.41(D) states in part that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

The following exceptions to this basic requirement are provided by statute:

- “Then and Now Certificate”: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

Finding Number 2003-04 (Continued)

- Amounts of less than \$3,000 (effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During the audit period, the prior certification of the fiscal officer was not being obtained. This could result in the Village spending more money than what is available.

The Village should obtain the prior certification of the Village Clerk before an obligation is incurred.

Finding Number 2003-05

The Village’s Mayor’s Court records for 2002 were destroyed in a flood and therefore, the court’s 2002 activity was determined to be unauditible. The Village had no disaster recovery plan in place nor did the Village have any other copies or other supporting documentation to support the court’s financial activity for 2002. The Village now maintains court financial records on computer. The Village should adopt and implement a disaster recovery plan which includes making regular backups of court computer records and storing them in an off-site location to ensure the recovery of the data in the case of a disaster.

**VILLAGE OF JACKSONVILLE
ATHENS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-30705-001	Finding for adjustment-Mayor's Court	Yes	
2001-30705-002	The prior certification of the fiscal officer was not being obtained as required by Ohio Revised Code Section 5705.41(D).	No	Not corrected, see Finding 2003-04.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 28, 2004**