



Mary Taylor, CPA
Auditor of State

VILLAGE OF JERUSALEM
MONROE COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 10, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Jerusalem, Monroe County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 10, 2007

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$6,170		\$6,170
Intergovernmental	6,867	\$5,905	12,772
Miscellaneous	527		527
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	13,564	5,905	19,469
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	833	3,000	3,833
Public Health Services	624		624
Transportation		1,592	1,592
General Government	13,591	2,170	15,761
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	15,048	6,762	21,810
	<hr/>	<hr/>	<hr/>
Total Cash Receipts (Under) Cash Disbursements	(1,484)	(857)	(2,341)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	511	12,078	12,589
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$973)</u>	<u>\$11,221</u>	<u>\$10,248</u>

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$6,051		\$6,051
Intergovernmental	6,119	\$6,642	12,761
	<u>12,170</u>	<u>6,642</u>	<u>18,812</u>
Total Cash Receipts			
	<u>12,170</u>	<u>6,642</u>	<u>18,812</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	633	2,500	3,133
Public Health Services	695		695
Basic Utility Service	357		357
Transportation	554	700	1,254
General Government	9,959	174	10,133
	<u>12,198</u>	<u>3,374</u>	<u>15,572</u>
Total Cash Disbursements			
	<u>12,198</u>	<u>3,374</u>	<u>15,572</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(28)	3,268	3,240
Fund Cash Balances, January 1 (Restated-see Note 2)	539	8,810	9,349
	<u>539</u>	<u>8,810</u>	<u>9,349</u>
Fund Cash Balances, December 31	<u>\$511</u>	<u>\$12,078</u>	<u>\$12,589</u>

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Restatement of Fund Balances

In July 2003, the Village erroneously transferred the balance of the Street Construction, Maintenance and Repair Fund in the amount of \$3,508 to the General Fund and subsequently closed the Street Construction, Maintenance and Repair Fund. Ohio Rev. Code Sections 5747.52, 5747.51(D)(2), and 5747.62(D)(2) all mention both the street construction, maintenance and repair fund and the state highway improvement fund in the consideration of distribution of tax fund monies (i.e. gasoline tax and motor vehicle tax monies).

This restatement had the following effect on fund balances:

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Restatement of Fund Balances (Continued)

	General Fund	Special Revenue
Fund Balances, December 31, 2004	\$7,446	\$1,903
Erroneous transfer	(3,508)	3,508
Reallocation of receipts	(10,878)	10,878
Reallocation of expenditures	7,479	(7,479)
Restated Fund Balances, December 31, 2004	<u>\$539</u>	<u>\$8,810</u>

2. Equity in Pooled Cash

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

	2006	2005
Demand deposits	<u>\$10,248</u>	<u>\$12,589</u>

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005, follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,800	\$13,564	(\$3,236)
Special Revenue	600	5,905	5,305
Total	<u>\$17,400</u>	<u>\$19,469</u>	<u>\$2,069</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$18,600	\$15,048	\$3,552
Special Revenue	1,950	6,762	(4,812)
Total	<u>\$20,550</u>	<u>\$21,810</u>	<u>(\$1,260)</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,000	\$12,170	\$170
Special Revenue	800	6,642	5,842
Total	<u>\$12,800</u>	<u>\$18,812</u>	<u>\$6,012</u>

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,125	\$12,198	\$927
Special Revenue	1,600	3,374	(1,774)
Total	\$14,725	\$15,572	(\$847)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair Fund by \$5,478 and \$3,374, for the years ended December 31, 2006 and 2005, respectively.

Also contrary to Ohio law, at December 31, 2006, the General Fund had a cash deficit balance of \$973.

Also contrary to Ohio law, appropriations exceed estimated resources in the General Fund by \$1,289, for the year ended December 31, 2006.

5. 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.

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Jerusalem, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated August 10, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects 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.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2006-001, 2006-006, and 2006-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated August 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 10, 2007.

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



Mary Taylor, CPA
Auditor of State

August 10, 2007

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance and Material Weakness

Ohio Rev. Code Sections 5735.27(A)(1) and 5735.29 provide that gasoline and motor vehicle license taxes shall be used to plan, construct, reconstruct, repave, widen, maintain, repair, clear, and clean public highways, roads, and streets; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to pay the costs apportioned to the municipal corporation under Section 4907.47 of the Revised Code; to purchase, erect, and maintain traffic lights and signals; to pay the principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to Section 5531.09 of the Revised Code for the purpose of acquiring or constructing roads, highways, bridges, or viaducts or acquiring or making other highway improvements for which the municipal corporation may issue bonds; and to supplement revenue already available for these purposes.

Ohio Rev. Code Section 5735.28 states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to Sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest, and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to Section 5531.09 of the Revised Code for such purposes.

Ohio Rev. Section 5735.29 states that no municipal corporation shall expend any revenues received from the tax levied by this section for any purpose other than one of the specific highway-related purposes stated in this section and further states that each municipal corporation shall use at least 90% of all revenues received from the tax levied by this section to supplement, rather than supplant, other local funds used for highway-related purposes.

In July 2003, the Village erroneously transferred the \$3,508 balance in the Street Construction, Maintenance and Repair Fund to the General Fund. From that point forward, the Village deposited 92½% of the gasoline tax and motor vehicle license tax collections into the General Fund. Expenditures were not being tracked separately which resulted in no way to determine that expenditures were used for one of the specific highway-related purposes or that funds were used to supplement rather than supplant local funds. This resulted in the following adjustments to the financial statements:

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-001 (Continued)

**Noncompliance and Material Weakness - Ohio Rev. Code Sections 5735.27(A)(1) and 5735.29
(Continued)**

December 31, 2005:

	General Fund	Street Construction, Maintenance and Repair Fund
Beginning Balance	\$(6,907)	\$6,907
Intergovernmental Receipts	(5,978)	5,978
Security of Persons and Property Disbursements	2,500	(2,500)
Transportation Disbursements	700	(700)
General Government Disbursements	174	(174)
Ending Balance	\$(9,511)	\$9,511

December 31, 2006:

General Fund	General Fund	Street Construction, Maintenance and Repair Fund
Beginning Balance	\$(9,511)	\$9,511
Intergovernmental Receipts	(5,465)	5,465
Security of Persons and Property Disbursements	3,000	(3,000)
Transportation Disbursements	307	(307)
General Government Disbursements	2,170	(2,170)
Ending Balance	\$(9,499)	\$9,499

These adjustments, to which management agreed, were posted to the Village's records and are reflected in the accompanying financial statements.

We recommend the Village deposit 7½% of each gasoline tax and motor vehicle license tax receipt into the Highway Improvement Fund and the other 92½ % into the Street Construction, Maintenance and Repair Fund. This funding should be expended only for those specific highway related purposes delineated in the Ohio Revised Code and 90% of the funding should be used to supplement rather than supplant local funds used for highway-related purposes.

FINDING NUMBER 2006-002

Noncompliance and Significant Deficiency

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Noncompliance and Significant Deficiency - Ohio Rev. Code Section 5705.10(H) (Continued)

As a result of the audit adjustments referred to in Finding 2006-001, the Village's General Fund had a negative fund balance of \$973 at December 31, 2006. This condition, if left unchecked, could result in going concern considerations for the Village, and could lead to the Village being declared in fiscal watch or emergency.

We recommend the Village use monies within specific funds for only the purposes for which the particular fund has been established. We further recommend the Village limit spending to allow fund balances to recover to normal levels. Cost cutting measures and careful monitoring of financial progress are essential. Another alternative measure would be to ask the Village residents to pass additional levies.

FINDING NUMBER 2006-003

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.39 prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated resources available for expenditure from the fund as certified by the budget commission on the official certificate of estimated resources.

The following fund had appropriations in excess of estimated resources at December 31, 2006:

Fund	Appropriations	Estimated Resources	Overappropriated
General	\$18,600	\$17,311	\$1,289

We recommend the Village Clerk/Treasurer compare appropriations to estimated revenue for each fund when the annual appropriation resolution is adopted and when supplemental amendments are passed to ensure amounts appropriated do not exceed estimated resources.

FINDING NUMBER 2006-004

Noncompliance and Significant Deficiency

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-004 (Continued)

Noncompliance and Significant Deficiency - Ohio Rev. Code Section 5705.41(B) (Continued)

The following fund had budgetary expenditures in excess of appropriations at December 31, 2006:

Fund	Appropriations	Budgetary Expenditures	Variance
Street Construction, Maintenance and Repair	\$0	\$5,478	(\$5,478)

The following fund had budgetary expenditures in excess of appropriations at December 31, 2005:

Fund	Appropriations	Budgetary Expenditures	Variance
Street Construction, Maintenance and Repair	\$0	\$3,374	(\$3,374)

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

FINDING NUMBER 2006-005

Noncompliance and Significant Deficiency

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-005 (Continued)

Noncompliance and Significant Deficiency - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Amounts of less than \$3,000, 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.

Blanket Certificate – Fiscal officers may prepare so-called "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. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of expenditures made in 2005 and 2006. Purchase orders were attached but were not filled out nor signed by any Village officials. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Village Clerk/Treasurer certify that funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-006

Noncompliance and Material Weakness

Ohio Admin. Code Section 117-2-02(D) states in part that 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.

Ohio Admin. Code Section 117-2-02(D)(2) provides that such records should include a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

Ohio Admin. Code Section 117-2-02(D)(3) provides that such records should also include an appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

The Village did not properly maintain the receipt and appropriation ledgers. There were significant discrepancies between the transactions posted to the receipt and appropriation ledgers compared to the cashbook.

We recommend the Village Clerk/Treasurer maintain the receipts ledger and the appropriation ledger in accordance with the guidelines set forth in the Ohio Administrative Code. The receipt ledger and the appropriation ledger should be balanced with the cashbook on a monthly basis.

FINDING NUMBER 2006-007

Material Weakness

The management of each local public office is responsible for the assertions underlying the information included in the public office's financial statements. This includes assertions about classes of transactions and events for the period under audit (occurrence, completeness, accuracy, cutoff and classification), assertions about account balances at the end of the period (existence, rights/obligations, completeness and valuation/allocation), and assertions about presentation and disclosure (occurrence and rights/obligations, completeness, classification/understandability and accuracy/valuation). To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and

**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-007 (Continued)

Material Weakness (Continued)

- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

In order to facilitate efficient operation of the Village, Village Council needs to receive detailed financial information to review and approve on a regular basis. Other than Village Council presenting a listing of bills for their approval at the monthly meetings, Village Council did not receive other detailed financial information for its review and approval on a regular basis. For example, in May and June 2006, two Village Council members signed the cash book and in January 2005 the Village Mayor signed the cash book. As a result, errors occurred which were not detected in a timely manner. Village Council's decisions could be made based on false assumptions that result in Village financial hardships. The Village's current financial condition can, in part, be attributed to Village Council's lack of monitoring of financial activity.

We recommend the Village Council require the Village Clerk/Treasurer to provide financial information, including financial statements, bank reconciliations, budgetary comparisons, and ledgers on a monthly basis for its review. We further recommend Village Council document their approval of such information through notation in the minutes as well as the use of signatures, initials, or other means.

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

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**VILLAGE OF JERUSALEM
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 and 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(B) – expenditures exceeded appropriations in the General Fund.	No	Not Corrected; This finding is repeated as Finding Number 2006-004.
2004-002	Ohio Rev. Code Section 5705.41(D)(1) – not properly certifying availability of funds.	No	Not Corrected; This finding is repeated as Finding Number 2006-005.
2004-003	Ohio Admin. Code Section 117-2-02(D) – did not maintain receipt and appropriation ledgers.	No	Not Corrected; This finding is repeated as Finding Number 2006-006.
2004-004	Village Council did not receive detailed financial information to review and approve on a monthly basis.	No	Not Corrected; This finding is repeated as Finding Number 2006-007.



Mary Taylor, CPA
Auditor of State

VILLAGE OF JERUSALEM

MONROE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 2, 2007**