



**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 - 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



VILLAGE OF JEFFERSON  
ASHTABULA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2001 .....	3
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, 2001 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Similar Fiduciary Fund Types – For the Year Ended December 31, 2000 .....	5
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, 2000 .....	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 .....	17
Schedule of Prior Audit Findings .....	19

**This page intentionally left blank.**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Jefferson  
Ashtabula County  
27 East Jefferson Street  
Jefferson, Ohio 44047

To the Village Council:

We have audited the accompanying financial statements of the Village of Jefferson (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *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, 2001 and 2000, 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 May 29, 2002 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 audit committee, management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

May 29, 2002

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$646,963	\$626,153	\$0	\$0	\$0	\$1,273,116
Special Assessments			1,984			1,984
Intergovernmental Receipts	192,565	131,862		6,614		331,041
Charges for Services	152	216,204				216,356
Fines, Licenses, and Permits	6,582	421				7,003
Earnings on Investments	50,598	4,210				54,808
Miscellaneous	79,614	5,710				85,324
<b>Total Cash Receipts</b>	<u>976,474</u>	<u>984,560</u>	<u>1,984</u>	<u>6,614</u>	<u>0</u>	<u>1,969,632</u>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	333,869	147,955				481,824
Community Environment	5,299	257,249		16,176		278,724
Transportation	38,792	299,099				337,891
General Government	351,904	4,112		1,140		357,156
Debt Service:						
Principal Payments		46,944	25,000	74,550		146,494
Interest Payments		2,316	68,120	73,715		144,151
Capital Outlay	3,214	278,338	110,000			391,552
<b>Total Cash Disbursements</b>	<u>733,078</u>	<u>1,036,013</u>	<u>203,120</u>	<u>165,581</u>	<u>0</u>	<u>2,137,792</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>243,396</u>	<u>(51,453)</u>	<u>(201,136)</u>	<u>(158,967)</u>	<u>0</u>	<u>(168,160)</u>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Bonds or Notes			110,000			110,000
Sale of Fixed Assets	950					950
Transfers-In		178,547	93,120	178,210		449,877
Transfers-Out	(198,131)	(94,744)			(2,190)	(295,065)
Other Uses	(9,034)	(15,022)				(24,056)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(206,215)</u>	<u>68,781</u>	<u>203,120</u>	<u>178,210</u>	<u>(2,190)</u>	<u>241,706</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	37,181	17,328	1,984	19,243	(2,190)	73,546
Fund Cash Balances, January 1	115,770	478,472	12,077	2,976	2,190	611,485
<b>Fund Cash Balances, December 31</b>	<u><b>\$152,951</b></u>	<u><b>\$495,800</b></u>	<u><b>\$14,061</b></u>	<u><b>\$22,219</b></u>	<u><b>\$0</b></u>	<u><b>\$685,031</b></u>
Reserves for Encumbrances, December 31	<u>\$27,250</u>	<u>\$50,927</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$78,177</u>

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

**VILLAGE OF JEFFERSON  
ASHTABULA 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, 2001**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$711,511	\$0	\$711,511
<b>Operating Cash Disbursements:</b>			
Personal Services	175,647		175,647
Travel Transportation	949		949
Contractual Services	238,700		238,700
Supplies and Materials	28,606		28,606
Capital Outlay	33,995		33,995
Total Operating Cash Disbursements	477,897	0	477,897
Operating Income/(Loss)	233,614	0	233,614
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	20,563	2,600	23,163
Total Non-Operating Cash Receipts	20,563	2,600	23,163
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	2,997	4,600	7,597
Total Non-Operating Cash Disbursements	2,997	4,600	7,597
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	251,180	(2,000)	249,180
Transfers-In	34,500		34,500
Transfers-Out	(189,312)		(189,312)
Net Receipts Over/(Under) Disbursements	96,368	(2,000)	94,368
Fund Cash Balances, January 1	167,374	5,100	172,474
<b>Fund Cash Balances, December 31</b>	<b>\$263,742</b>	<b>\$3,100</b>	<b>\$266,842</b>
Reserve for Encumbrances, December 31	\$63,705	\$0	\$63,705

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



**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$674,021	\$565,489	\$0	\$0	\$0	\$1,239,510
Special Assessments			2,118			2,118
Intergovernmental Receipts	160,290	167,465		106,731		434,486
Charges for Services	120	104,259				104,379
Fines, Licenses, and Permits	9,326	1,171				10,497
Earnings on Investments	34,213	4,308			3,442	41,963
Miscellaneous	36,945	121,117				158,062
<b>Total Cash Receipts</b>	<b>914,915</b>	<b>963,809</b>	<b>2,118</b>	<b>106,731</b>	<b>3,442</b>	<b>1,991,015</b>
<b>Cash Disbursements:</b>						
Current:						
Security of Persons and Property	355,356	80,368				435,724
Leisure Time Activities		266,492				266,492
Community Environment	1,589			15,762		17,351
Transportation	41,405	301,422		104,145		446,972
General Government	392,237					392,237
Debt Service:						
Principal Payments		65,728		96,264		161,992
Interest Payments		5,272		146,771		152,043
Capital Outlay	12,480	384,757		24,150		421,387
<b>Total Cash Disbursements</b>	<b>803,067</b>	<b>1,104,039</b>	<b>0</b>	<b>387,092</b>	<b>0</b>	<b>2,294,198</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>111,848</b>	<b>(140,230)</b>	<b>2,118</b>	<b>(280,361)</b>	<b>3,442</b>	<b>(303,183)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Fixed Assets	217	5,077				5,294
Transfers-In		118,728		264,195		382,923
Transfers-Out	(108,728)	(80,000)			(32,880)	(221,608)
Other Sources	735	10,780				11,515
Other Uses	(6,428)	(11,308)				(17,736)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(114,204)</b>	<b>43,277</b>		<b>264,195</b>	<b>(32,880)</b>	<b>160,388</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,356)	(96,953)	2,118	(16,166)	(29,438)	(142,795)
Fund Cash Balances January 1 (Restated)	118,126	575,425	1,848	27,253	31,629	754,281
<b>Fund Cash Balances, December 31</b>	<b>\$115,770</b>	<b>\$478,472</b>	<b>\$3,966</b>	<b>\$11,087</b>	<b>\$2,191</b>	<b>\$611,486</b>
Reserves for Encumbrances, December 31	\$25,911	\$56,743	\$0	\$360	\$0	\$83,014

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

**VILLAGE OF JEFFERSON  
ASHTABULA 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, 2000**

	<b>Proprietary Fund Types</b>	<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>Enterprise</b>	<b>Agency</b>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$599,190	\$0	\$599,190
<b>Operating Cash Disbursements:</b>			
Personal Services	144,558		144,558
Contractual Services	200,129		200,129
Supplies and Materials	37,962		37,962
Capital Outlay	32,104		32,104
Total Operating Cash Disbursements	414,753	0	414,753
Operating Income/(Loss)	184,437	0	184,437
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts	15,872	8,310	24,182
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	2,310	5,410	7,720
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	197,999	2,900	200,899
Transfers-Out	(161,315)		(161,315)
Net Receipts Over/(Under) Disbursements	36,684	2,900	39,584
Fund Cash Balances, January 1	130,691	2,200	132,891
<b>Fund Cash Balances, December 31</b>	<b>\$167,375</b>	<b>\$5,100</b>	<b>\$172,475</b>
Reserve for Encumbrances, December 31	\$37,160	\$0	\$37,160

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

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Jefferson, Ashtabula 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 sewer utilities, garbage pickup, police and fire 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**

Investments are included in fund cash balances. 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.

Certificates of deposit and repurchase agreements are valued at cost. STAR Ohio funds are recorded at share values reported by the mutual fund.

**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:

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

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recreation Fund* - This fund receives Fees and general fund transfers to fund the Villages Community Center

*Special Revenue Capital Improvement* - This Fund receives Real Estate and Local Income Tax used for capital improvements of Village assets.

**3. Debt Service Fund**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service funds:

*Recreation Facilities Note* - This Fund receives General Fund transfers to pay for the debt incurred to build the villages community center.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital projects funds:

*OWDA Fund* - This Fund receives enterprise fund transfers to pay for an Ohio Water Development Authority used to finance a utility plant expansion

**5. 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:

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

*Sanitation Fund* - This fund receives charges for services from residents to cover the cost of proving garbage pickup

**6. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. 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 funds:

*Jones Trust* - An Expendable trust fund used defray some expenses of the Villages Community Center.

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**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 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.

**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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash and investment 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:

	2001	2000
Demand deposits	\$ 451	\$ 5,237
Certificates of deposit	450,287	415,990
Total deposits	450,738	421,227
Repurchase agreements	290,000	160,000
STAR Ohio	211,135	202,734
Total investments	501,135	362,734
Total deposits and investments	\$951,873	\$783,961

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

**Investments:** The Village's agent holds securities collateralizing repurchase agreements. The securities are not in the Village's name. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**Cash on Hand:** The Village had at December 31, 2001 and December 31, 2000, \$300 and \$450 respectively, of undeposited cash on hand which is included on the financial statement's fund balances.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended 2001 and 2000 follows:

Fund Type	2001 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$992,314	\$977,424	(\$14,890)
Special Revenue	1,213,037	1,163,107	(49,930)
Debt Service	111,984	205,104	93,120
Capital Projects	278,465	184,824	(93,641)
Enterprise	816,045	766,573	(49,472)
Fiduciary	2,600	2,600	0
Total	\$3,414,445	\$3,299,632	(\$114,813)

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,052,596	\$967,493	\$85,103
Special Revenue	1,441,186	1,196,706	244,480
Debt Service	207,086	203,120	3,966
Capital Projects	205,194	165,581	39,613
Enterprise	805,484	733,911	71,573
Fiduciary	10,700	6,791	3,909
Total	<u>\$3,722,246</u>	<u>\$3,273,602</u>	<u>\$448,644</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,067,960	\$915,867	(\$152,093)
Special Revenue	1,095,274	1,098,394	3,120
Debt Service	2,500	2,118	(382)
Capital Projects	388,088	370,926	(17,162)
Enterprise	618,124	615,062	(3,062)
Fiduciary	10,563	11,752	1,189
Total	<u>\$3,182,509</u>	<u>\$3,014,119</u>	<u>(\$168,390)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,039,234	\$944,134	\$95,100
Special Revenue	1,441,600	1,252,090	189,510
Debt Service	500	0	500
Capital Projects	400,930	387,092	13,838
Enterprise	690,031	615,538	74,493
Fiduciary	38,291	38,291	0
Total	<u>\$3,610,586</u>	<u>\$3,237,145</u>	<u>\$373,441</u>

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**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.

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. LOCAL INCOME TAX**

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**6. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,700,769	4.04,4.56%
Recreation Facility Bonds	1,230,000	4.90-7.90%
Fire Truck Refurbishing	110,000	2.96%
Total	<b>\$3,040,769</b>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,082,417 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$79,656, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Recreation Facility Bonds were used to construct the Village's Recreation Center used by the residents of the Village and the Fire Truck Refurbishing note was used to refurbish one of the Village's Fire Truck.



**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. DEBT (Continued)**

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

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>Recreation Facility Bonds</u>	<u>Fire Truck Refurbishing Notes</u>
2002	\$159,312	\$91,470	\$57,053
2003	159,312	94,820	57,056
2004	159,312	92,840	
2005	159,312	95,860	
2006	159,312	93,585	
Subsequent	<u>1,513,466</u>	<u>1,691,570</u>	
Total	<u>\$2,310,026</u>	<u>\$2,160,145</u>	<u>\$114,109</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers and firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, OP&F participants contributed 3.5% of their wages and the Village had a "pickup" of 6.5% of the participant's wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 2% of their wages and the Village had a "pickup" of 6.5% based on the employee's wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

**8. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**9. RESTATEMENT OF FUND BALANCES**

For the year commencing January 1, 2001, the Village changed the Recreation Facility Bond Fund from a Capital Project Fund to a Debt Service Fund.

<u>Fund/Fund Type</u>	<u>Previously Stated Balance at 12/31/00</u>	<u>Reclassification</u>	<u>Restated Balance at 1/1/01</u>
Governmental Funds:			
Debt Service	\$3,966	\$8,111	\$12,077
Capital Project	11,087	(8,111)	2,976

**10. LEGAL COMPLIANCE**

The Village was in noncompliance with the following Ohio Revised Code Sections:

1. Section 5705.41 (D) - requires purchases to have prior certification of funds being available by the fiscal officer, and charged to or encumbered against the proper appropriation. Purchases did not always contain the required certificate and amounts were not being charged to the proper year's appropriations.
2. Section 731.14.1 - requires that all contracts made by the legislative authority of a municipal government for material and labor which exceeds \$15,000 be let for bid. The Village awarded contract for parking lot paving that exceeded the bid threshold, which was not let for bid.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

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

Village of Jefferson  
Ashtabula County  
27 East Jefferson Street  
Jefferson, Ohio 44047

To the Village Council:

We have audited the accompanying financial statements of the Village of Jefferson (the Village) as of and for the years ended December 31, 2001 and 2000 and have issued our report thereon dated May 29, 2002. 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, 2001-31104-001 and 2001-31104-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated May 29, 2002.

**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 judgement could adversely affect the Villages 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, 2001-31104-003 and 2001-31104-004.

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 of risk that misstatement 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 condition and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe none of the reportable conditions described above is a material weakness.

Village of Jefferson  
Ashtabula County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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 May 29, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

May 29, 2002

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY  
  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2001-31104-001**

**Ohio Rev. Code § 5705.41 (D)**, states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

1. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
  
- 2- If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Council.

Fifty eight percent of contracts and purchases tested were committed prior to the certification of available funds by the Clerk/Treasurer, and neither exception listed above was followed. This condition does not provide adequate accountability over the Village's disbursements. Also, during our testing of unrecorded purchases commitments, we found \$19,837 in the Special Revenue Funds and \$1,309 in the Enterprise Funds, where the invoice was dated in fiscal year 2000 and the purchase order was dated in fiscal year 2001. This resulted in the Village incurring obligations prior to fiscal officer's certification of the availability of funds and reporting to the budget commission an overstated unencumbered fund balance. These situations may result in expenditures being incurred which either Council or management has not authorized, or which the Village cannot afford. Further, payments may be made to vendors for goods or merchandise never received or services never rendered.

We recommend that all Village personnel be advised that a purchase order with the certificate of the Clerk/Treasurer be obtained prior to making an order involving the expenditure of money. Any request for payment from a vendor without such purchase order should be investigated by management before the payment is made.

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2001-31104-002**

**Ohio Rev. Code § 731.14.1**, requires that all contracts made by the legislative authority of a municipal government for material and labor which exceed \$15,000 are subject to competitive bidding procedures.

The Village awarded a paving project for the parking lots of its Town Hall and Police Departments , totaling \$41,585 to Koski Construction without letting said project out for bid. This is in violation of the competitive bidding threshold of \$15,000 and may preclude the Village from obtaining the lowest cost.

We recommend in the future that all projects in the excess of \$15,000 be let out for bid.

**FINDING NUMBER 2001-31104-003**

Approximately 50% of the warrants tested, were hand written checks and not generated from the Village's computer system. This weakness could result in unauthorized (not approved by Council or the Mayor), unaffordable, misdirected and/or unrecorded expenditures and does not provide proper safeguarding of public funds.

To assure the proper safeguarding of public funds we recommend the Village generate all warrants from their computer system.

**FINDING NUMBER 2001-31104-004**

The Village's cash reconciliations were not being performed in a timely manner, sometimes 1 or 2 months after the bank statements are received. This weakness could result in errors and/or irregularities occurring and not being detected in a timely manner, and financial information not being posted on a current basis since the software the Village uses will not allow them to post information in a current month unless the previous month is closed out and reconciled.

To assure that the Village Council and management receives timely financial information, we recommend that the Clerk/Treasurer perform the Cash reconciliations as soon as the Village receives the statements from the bank.

**VILLAGE OF JEFFERSON  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
1999-41104-001	Ohio Revised Code Section 9.38	Corrected	
1999-41104-002	Village Ordinance Section 2044 & 1030.18	Corrected	
1999-41104-003	Village Ordinance Section 1060.13	Corrected	
1999-41104-004	No formal policy on procedures of the Utility Department	Corrected	
1999-41104-005	Segregation of duties in the Utility Department	Corrected	
1999-41104-006	Administrative Assistant made account adjustments without approval from Village Administrator	Corrected	
1999-41104-007	Administrative Assistant never performed a reconciliation of utility revenue collected to amounts posted to utility ledger	corrected	Clerk/Treasurer performs this duty now.
1999-41104-008	A reconciliation between the pre-billing report and the consumption report was not being done.	corrected	







STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

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 JEFFERSON**

**ASHTABULA 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  
JUNE 18, 2002**