



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Port Jefferson
Shelby County
P.O. Box 189
100 Spring Street
Port Jefferson, Ohio 45360

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Port Jefferson, Shelby County (the Village), as of and for the year ended December 31, 2001. 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 of the Village as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 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.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of 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". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 4, 2002

**VILLAGE OF PORT JEFFERSON
SHELBY 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>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$10,061				\$10,061
Special Assessments		\$4,612			4,612
Intergovernmental Receipts	52,617	9,697	\$551,222		613,536
Fines, Licenses, and Permits	16,598	452			17,050
Earnings on Investments	399	204			603
Miscellaneous	622	664	400		1,686
Total Cash Receipts	<u>80,297</u>	<u>15,629</u>	<u>551,622</u>		<u>647,548</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	23,093	4,612			27,705
Public Health Services	610				610
Leisure Time Activities				\$84	84
Community Environment	152				152
Transportation	24,926	9,868			34,794
General Government	23,240				23,240
Debt Service:					
Principal Payments	1,305	1,910			3,215
Interest Payments	337	97			434
Capital Outlay			791,950		791,950
Total Cash Disbursements	<u>73,663</u>	<u>16,487</u>	<u>791,950</u>	<u>84</u>	<u>882,184</u>
Total Receipts Over/(Under) Disbursements	<u>6,634</u>	<u>(858)</u>	<u>(240,328)</u>	<u>(84)</u>	<u>(234,636)</u>
Other Financing Receipts and (Disbursements):					
Proceeds of Debt			24,127		24,127
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	6,634	(858)	(216,201)	(84)	(210,509)
Fund Cash Balances, January 1	<u>13,238</u>	<u>6,069</u>	<u>216,753</u>	<u>202</u>	<u>236,262</u>
Fund Cash Balances, December 31	<u>\$19,872</u>	<u>\$5,211</u>	<u>\$552</u>	<u>\$118</u>	<u>\$25,753</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$21,525		\$21,525
Fines and Fees		\$20,316	20,316
Total Operating Cash Receipts	<u>21,525</u>	<u>20,316</u>	<u>41,841</u>
Operating Cash Disbursements:			
Contractual Services	3,626		3,626
Miscellaneous		22,442	22,442
Total Operating Cash Disbursements	<u>3,626</u>	<u>22,442</u>	<u>26,068</u>
Operating Income/(Loss)	17,899	(2,126)	15,773
Fund Cash Balances, January 1		<u>2,818</u>	<u>2,818</u>
Fund Cash Balances, December 31	<u><u>\$17,899</u></u>	<u><u>\$692</u></u>	<u><u>\$18,591</u></u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Port Jefferson, Shelby 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 utility, general governmental services, and police services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village maintains an interest bearing and a non-interest bearing checking account which are valued at cost.

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 Funds

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.

Street Light Fund - This fund receives the proceeds of special assessments assessed to property owners to provide street lighting.

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing of State highways within the Village.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project 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 project funds:

Ohio Water Development Authority (OWDA) Sewer Project Fund - This fund received the proceeds of an OWDA Loan and Grant. The proceeds are being used to construct a sewer system.

Community Development Block Grant (CDBG) Fund – This fund is used to account for the CDBG receipts which are being used to assist in construction of the sewer system.

4. 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:

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

5. Fiduciary Funds (Trust and Agency Funds)

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

Flowing Well Fund (Expendable Trust Fund) – This fund receives donations for the maintenance of the flowing well located within the Village.

Mayor's Court Fund (Agency Fund) - This fund records the financial activity of the Village Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and account 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. Appropriations lapse at year end.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Village did not use the encumbrance method of accounting.

A summary of 2001 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 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
Demand deposits	\$44,344

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,730	\$80,297	\$5,567
Special Revenue	13,200	15,629	2,429
Capital Projects	577,573	575,749	(1,824)
Enterprise	21,525	21,525	0
Expendable Trust	0	0	0
Total	\$687,028	\$693,200	\$6,172

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,500	\$73,663	\$12,837
Special Revenue	20,662	16,487	4,175
Capital Projects	748,572	791,950	(43,378)
Enterprise	3,626	3,626	0
Expendable Trust	202	84	118
Total	\$859,562	\$885,810	(\$26,248)

Contrary to Ohio law, during the year budgetary expenditures exceed appropriation authority at the legal level of budgetary control in the Community Development Block Grant Fund and the Ohio Water Development Authority Sewer Project Fund. Also contrary to Ohio law, the required certification was not obtained prior to the expenditure of the funds for 100% of the Village's disbursement transactions.

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 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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$50,924	6.39%
General Purpose Loan	4,434	6.13%
Total	\$55,358	

The Ohio Water Development Authority (OWDA) loan relates to sewer project planning. The loan will be repaid in semiannual installments of \$2,273, including interest, over 20 years.

The General Purpose Loan was issued in November 1999, for \$7,000 to pay for a police cruiser. The loan is to be repaid in 5 semi-annual installments of \$821.05 each and one irregular payment of \$3,865.30 due October 2002.

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

	OWDA Planning Loan	General Purpose Loan
Year ending December 31:		
2002	\$4,546	\$4,686
2003	4,546	
2004	4,546	
2005	4,546	
2006	4,546	
2007 - 2011	22,731	
2012 - 2016	22,731	
2017 - 2021	22,731	
Total	\$90,923	\$4,686

Through December 31, 2001, a total of \$850,989 has been received from the Ohio Water Development Authority (OWDA) Loan Program for the sanitary sewer System construction. The contract interest rate is 4.89%. OWDA will not establish a repayment schedule for this loan until the project is complete.

6. RETIREMENT SYSTEMS

The Village's 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. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2001.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Law enforcement and employment practices liability; and
- Public official liability.

8. SUBSEQUENT EVENTS

The Village issued \$854,000 in sanitary sewer improvement mortgage revenue bonds on April 26, 2002, for the purpose of redeeming the Ohio Water Development Authority sanitary sewer loan. The bonds bear an interest rate of 4.75% and mature on April 1, 2042.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Direct</i>			
Water and Waste Disposal Systems for Rural Communities		10.760	\$596,675
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	C-W-98-379-1	14.228	<u>106,141</u>
Total Federal Programs			<u><u>\$702,816</u></u>

See Notes to the Schedule of Federal Awards Expenditures

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



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

Village of Port Jefferson
Shelby County
P.O. Box 189
100 Spring Street
Port Jefferson, Ohio 45360

To the Village Mayor and Council:

We have audited the financial statements of the Village of Port Jefferson, Shelby County (the Village), as of and for the year ended December 31, 2001, and have issued our report thereon dated September 4, 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 2001-30375-001 and 2001-30375-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 4, 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 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 2001-30375-003.

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. We believe the reportable condition described above is a material weakness. 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 September 4, 2002.

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



Jim Petro
Auditor of State

September 4, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Port Jefferson
Shelby County
P.O. Box 189
100 Spring Street
Port Jefferson, Ohio 45360

To the Village Mayor and Council:

Compliance

We have audited the compliance of Village of Port Jefferson, Shelby County (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 2001-30375-004.

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 the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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 the reportable condition described above is not a material weakness.

This report is intended for the information and use of the management, Village Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

September 4, 2002

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
--

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	Yes
(d)(1)(vii)	Major Programs (list):	Water & Waste Disposal Systems for Rural Communities CFDA #10.760
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2001-30375-001

Noncompliance Citations:

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

During the year, at the legal level of control, the contractual services appropriations were exceeded by expenditures in the following funds:

	Appropriations	Expenditures	Variance
Community Development Block Grant (CDBG) Fund	\$ 0	\$106,053	\$106,053
Ohio Water Development Authority (OWDA) Fund	153,100	616,937	463,837

Budgeted appropriations versus actual expenditures should be monitored throughout the year to prevent expenditures from exceeding the amounts appropriated at the legal level of control. In instances where it appears appropriations are insufficient to meet projected needs, the Village Council should pass a resolution to amend appropriations after determining that sufficient estimated resources are available.

FINDING NUMBER 2001-30375-002

Ohio Rev. Code Section 5705.41(D) states 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 encumbrance.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village did not obtain the required certification prior to the commitment and expenditure for 100 percent of the expenditure transactions during the year. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now"), nor the subsequent approval within thirty days from the Members of Council for all amounts over one thousand dollars.

**FINDING NUMBER 2001-30375-002
 (Continued)**

Also, a system of encumbering was not in place. This prohibits the fiscal officer's ability to certify that the amount was in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances, since the amount of the available unencumbered balances is unknown for any given line item at any point in time.

The lack of proper certifications could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods or services for the Village to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Also, a system of encumbering should be placed in operation to allow the fiscal officer to track the amount of outstanding encumbrances and available unencumbered balances, thus allowing for accurate certifications.

The Village should establish procedures for obtaining certification, prior to incurring an obligation, or for subsequent certification and approval by the exception noted above, for all expenditures.

FINDING NUMBER 2001-30375-003

Material Weakness

The Village has delegated sewer system billing and collection, which is a significant accounting function of the enterprise fund, to the City of Sidney. Although the Village receives reports from the City of Sidney documenting the residents billed and the amounts collected, the failure of the City of Sidney to obtain a report on the effectiveness of their sewer billing and collection processing internal control policies and procedures limits the Village's ability to reasonably determine that sewer system billings and collections have been completely and accurately processed in accordance with the rates in effect.

We recommend the Village implement procedures to reasonably assure the completeness and accuracy of the Village residents sewer billing and collection services performed by the City of Sidney. Statement of Auditing Standards (SAS) No. 70 as amended by SAS No. 88, prescribes standards for reporting on the processing of transactions by service organizations. An unqualified "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS no. 70, should provide the Village with an appropriate level of assurance that sewer system billing and collection are being processed in conformance with the rates in effect.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2001-30375-004
CFDA Title and Number	All Federal Programs and CFDA Numbers
Federal Award Number / Year	All Federal Awards
Federal Agency	All Federal Agencies
Pass-Through Agency	All Pass Through Agencies

**3. FINDINGS FOR FEDERAL AWARDS
(Continued)**

Reportable Condition:

Recording of Federal Receipts and Expenditures

Review of the Village's appropriation and receipt ledgers for the year indicated the following errors in accounting for federal program receipts and expenditures:

1. Check number 8108 for \$1,755 was reported twice, therefore overstating Community Development Block Grant expenditures reported for the period.
2. The appropriation ledger expenditure amounts were not added correctly (\$328), therefore overstating Rural Development Grant expenditures reported for the period.
3. Receipt numbers 23 and 70 for \$1,843 were reported twice (once in the current year and once in the prior year), therefore overstating Community Development Block Grant receipts reported for the period.
4. Ohio Water Development Authority construction loan disbursements of \$13,742 were mixed with Rural Development Grant expenditures on the appropriation ledger, therefore overstating Rural Development Grant expenditures reported for the period.
5. Rural Development Grant expenditures disbursements of \$4,693 were mixed with Community Development Block Grant expenditures on the appropriation ledger, therefore understating Rural Development Grant expenditures and overstating Community Development Block Grant expenditures reported for the period.
6. Prior year ending fund balances did not agree to current year beginning fund balances for the Community Development Block Grant Fund and the Ohio Water Development Authority Fund (includes Rural Development Grant activities).

As a result of these errors the Village's federal financial activity for the period was inaccurately reported for the year. The accompanying financial statements and federal schedule have been adjusted to reflect the errors noted above.

To improve the accuracy and completeness of the Village's federal receipts and expenditures for financial reporting, and reporting to the federal grantor agencies which could effect the Village's ability to receive federal funds in the future, due professional care should be used in the recording of Village federal transactions.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contract Person
2001-30375-001	The Village will monitor budgeted and actual expenditures on a monthly basis.	Beginning of Fiscal Year 2002	Village Clerk – Judy Fair
2001-30375-002	The Village will implement a purchase order system to certify the availability of funds.	End of Fiscal Year 2002	Village Clerk – Judy Fair
2001-30375-003	The Village will evaluate whether sufficient monitoring of the City of Sidney’s billing and collection process can be performed by the Village or whether Sidney should have a SAS 70 audit performed for their control procedures.	End of Fiscal Year 2002	Village Clerk – Judy Fair
2001-30375-004	The Village will review all federal receipts and expenditures for accurate recording in the Village ledgers.	September 2002	Village Clerk – Judy Fair

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30375-001	Ohio Rev. Code 149.351 (A) failure to maintain public records	Yes	Finding no longer valid.
2000-30375-002	Ohio Rev. Code 5705.36 failure to obtain amended certificates	Yes	Finding no longer valid.
2000-30375-003	Ohio Rev. Code 5705.41 (B) Failure to appropriate for expenditures	No	Not corrected - see 2001-30375-001.
2000-30375-004	Failure to maintain supporting documentation.	No	Partially corrected – management letter comment issued.
2000-30375-005	Ohio Rev. Code 5705.41(D) failure to certify availability of funds	No	Not corrected - see 2001-30375-002.
2000-30375-006	Ohio Admin. Code Section 117-2-02 (D)(2) failure to maintain adequate accounting ledgers	Yes	Finding no longer valid.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF PORT JEFFERSON

SHELBY 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 3, 2002**