



**Auditor of State
Betty Montgomery**

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, 2003	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, 2003	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, 2002	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, 2002	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 Prior Audit Findings	17

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Auditor of State Betty Montgomery

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), Ashtabula County, as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our 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, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Jefferson
Ashtabula County
Report of Independent Accountants
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 26, 2004

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, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$741,738	\$666,577		\$639		\$1,408,954
Special Assessments		13,847		22,283		36,130
Intergovernmental Receipts	82,469	145,613		75,628		303,710
Charges for Services	116	212,340				212,456
Fines, Licenses, and Permits	20,729	745				21,474
Earnings on Investments	15,637	365				16,002
Miscellaneous	3,133	19,904			2,005	25,042
Total Cash Receipts	863,822	1,059,391		98,550	2,005	2,023,768
Cash Disbursements:						
Current:						
Security of Persons and Property	358,307	201,769				560,076
Leisure Time Activities		302,490				302,490
Community Environment	7,175	17,230				24,405
Transportation	77,929	484,338		130,466		692,733
General Government	348,382	21,460	221,488	19	990	592,339
Debt Service:						
Principal Payments			167,394			167,394
Interest Payments			132,077			132,077
Capital Outlay			21,090	35,000		56,090
Total Cash Disbursements	791,793	1,027,287	542,049	165,485	990	2,527,604
Total Receipts Over/(Under) Disbursements	72,029	32,104	(542,049)	(66,935)	1,015	(503,836)
Other Financing Receipts and (Disbursements):						
Sale of Bonds or Notes			149,000			149,000
Sale of Fixed Assets	1,500					1,500
Transfers-In	48,186	214,143	504,512	14,333		781,174
Transfers-Out	(162,008)	(323,638)	(75,500)	(29,950)	(2,645)	(593,741)
Other Uses		(3,348)				(3,348)
Total Other Financing Receipts/(Disbursements)	(112,322)	(112,843)	578,012	(15,617)	(2,645)	334,585
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(40,293)	(80,739)	35,963	(82,552)	(1,630)	(169,251)
Fund Cash Balances, January 1 (Restated see Note 9)	142,513	319,578	2,321	99,472	3,645	567,529
Fund Cash Balances, December 31	\$102,220	\$238,839	\$38,284	\$16,920	\$2,015	\$398,278
Reserves for Encumbrances, December 31	\$12,362	\$7,230	\$31,520	\$9,883		\$60,995

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, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$702,155		\$702,155
Miscellaneous	8,762		8,762
Total Operating Cash Receipts	<u>710,917</u>		<u>710,917</u>
Operating Cash Disbursements:			
Personal Services	218,883		218,883
Travel Transportation	1,398		1,398
Contractual Services	267,631		267,631
Supplies and Materials	29,086		29,086
Capital Outlay	66,657		66,657
Total Operating Cash Disbursements	<u>583,655</u>		<u>583,655</u>
Operating Income/(Loss)	<u>127,262</u>		<u>127,262</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	21,824		21,824
Other Non-Operating Receipts		2,800	2,800
Total Non-Operating Cash Receipts	<u>21,824</u>	<u>2,800</u>	<u>24,624</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	3,429	3,048	6,477
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>145,657</u>	<u>(248)</u>	<u>145,409</u>
Transfers-In	77,786		77,786
Transfers-Out	<u>(265,219)</u>		<u>(265,219)</u>
Net Receipts Over/(Under) Disbursements	(41,776)	(248)	(42,024)
Fund Cash Balances, January 1 (Restated see Note 9)	<u>148,703</u>	<u>4,932</u>	<u>153,635</u>
Fund Cash Balances, December 31	<u>\$106,927</u>	<u>\$4,684</u>	<u>\$111,611</u>
Reserve for Encumbrances, December 31	<u><u>\$7,805</u></u>		<u><u>\$7,805</u></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 GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$656,199	\$647,931				\$1,304,130
Special Assessments			2,073	9,005		11,078
Intergovernmental Receipts	123,966	141,222		4,889		270,077
Charges for Services	504	201,801				202,305
Fines, Licenses, and Permits	17,033	773				17,806
Earnings on Investments	21,166	1,597				22,763
Miscellaneous	41,867	10,641			1,232	53,740
Total Cash Receipts	860,735	1,003,965	2,073	13,894	1,232	1,881,899
Cash Disbursements:						
Current:						
Security of Persons and Property	313,963	202,081				516,044
Leisure Time Activities		267,569				267,569
Community Environment	2,054	208		10,153		12,415
Transportation		356,371				356,371
General Government	406,585	14,051		2,060		422,696
Debt Service:						
Principal Payments			79,192	77,990		157,182
Interest Payments			68,906	70,276		139,182
Capital Outlay	6,194	319,015		17,339		342,548
Total Cash Disbursements	728,796	1,159,295	148,098	177,818		2,214,007
Total Receipts Over/(Under) Disbursements	131,939	(155,330)	(146,025)	(163,924)	1,232	(332,108)
Other Financing Receipts and (Disbursements):						
Sale of Fixed Assets	6,500					6,500
Transfers-In		188,833	142,128	242,339		573,300
Transfers-Out	(140,833)	(190,128)		(9,005)		(339,966)
Other Uses	(8,044)	(19,597)				(27,641)
Total Other Financing Receipts/(Disbursements)	(142,377)	(20,892)	142,128	233,334		212,193
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,438)	(176,222)	(3,897)	69,410	1,232	(119,915)
Fund Cash Balances, January 1	152,951	495,800	14,061	22,219		685,031
Fund Cash Balances, December 31	\$142,513	\$319,578	\$10,164	\$91,629	\$1,232	\$565,116
Reserves for Encumbrances, December 31	\$15,156	\$126,938	\$0	\$87,600		\$229,694

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, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$803,177		\$803,177
Total Operating Cash Receipts	<u>803,177</u>		<u>803,177</u>
Operating Cash Disbursements:			
Personal Services	193,515		193,515
Travel Transportation	1,239		1,239
Contractual Services	244,761		244,761
Supplies and Materials	30,189		30,189
Capital Outlay	<u>217,836</u>		<u>217,836</u>
Total Operating Cash Disbursements	<u>687,540</u>		<u>687,540</u>
Operating Income/(Loss)	<u>115,637</u>		<u>115,637</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	<u>8,720</u>	<u>4,000</u>	<u>12,720</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>3,417</u>	<u>2,400</u>	<u>5,817</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	<u>120,940</u>	<u>1,600</u>	<u>122,540</u>
Transfers-In	9,005		9,005
Transfers-Out	<u>(242,339)</u>		<u>(242,339)</u>
Net Receipts Over/(Under) Disbursements	(112,394)	1,600	(110,794)
Fund Cash Balances, January 1	<u>263,742</u>	<u>3,100</u>	<u>266,842</u>
Fund Cash Balances, December 31	<u>\$151,348</u>	<u>\$4,700</u>	<u>\$156,048</u>
Reserve for Encumbrances, December 31	<u>\$27,131</u>		<u>\$27,131</u>

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, 2003 AND 2002**

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 water and sewer utilities, park operations, and police. The Village appropriates general fund money to support a volunteer fire department.

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

Certificates of deposit and Repurchase Agreements are valued at cost. STAR Ohio is 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 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.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds (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 Funds

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 Village's Community Center.

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

4. 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 fund:

Issue II Sewer Improvement – This Fund receives Issue II monies used to pay for improvements to the sewer plant.

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:

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

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

6. 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:

The Billy Joe Cole Trust – An Expendable trust fund used to buy equipment for the Village's Park.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fiduciary Funds (Trust and Agency Funds)

Unclaimed Monies Fund - This is an agency fund that is used for holding various monies that go unclaimed in the Village.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Property, Plant and Equipment

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2003	2002
Demand deposits	\$135,092	(\$64,769)
Certificates of deposit	157,453	463,394
Total deposits	292,545	398,625
Investments:		
STAR Ohio	217,344	214,952
Repurchase agreement		110,000
Total investments	217,344	324,952
Total deposits and investments	\$509,889	\$723,577

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

Investments: The Village's financial institution transfers securities to the Village's agent to 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.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$919,393	\$913,508	(\$5,885)
Special Revenue	1,389,908	1,273,534	(116,374)
Debt Service	710,756	653,512	(57,244)
Capital Projects	211,875	112,883	(98,992)
Enterprise	901,436	810,527	(90,909)
Fiduciary	13,382	4,805	(8,577)
Total	\$4,146,750	\$3,768,769	(\$377,981)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$1,042,747	\$966,163	\$76,584
Special Revenue	1,467,721	1,361,503	106,218
Debt Service	712,755	649,069	63,686
Capital Projects	222,288	205,318	16,970
Enterprise	894,841	860,108	34,733
Fiduciary	9,250	6,683	2,567
Total	\$4,349,602	\$4,048,844	\$300,758

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY-(Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$880,935	\$867,235	(\$13,700)
Special Revenue	1,262,328	1,192,798	(69,530)
Debt Service	144,227	144,201	(26)
Capital Projects	397,699	256,233	(141,466)
Enterprise	990,156	820,902	(169,254)
Fiduciary	8,332	5,232	(3,100)
Total	\$3,683,677	\$3,286,601	(\$397,076)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$957,790	\$892,829	\$64,961
Special Revenue	1,608,442	1,495,958	112,484
Debt Service	149,748	148,098	1,650
Capital Projects	416,001	274,423	141,578
Enterprise	1,067,155	960,427	106,728
Fiduciary	6,000	2,400	3,600
Total	\$4,205,136	\$3,774,135	\$431,001

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.

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.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,508,444	4.04%-4.56%
Recreation Facility Bonds	1,175,000	6.60%
Various Purpose Notes	149,000	2.74%
Total	\$2,832,444	

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 in 2003 the Village issued \$149,000 in Various Purpose Notes for paving projects. Both of these issues are collateralized by the Village's taxing authority.

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

	OWDA Loan	Recreation Facility Bonds	Various Purpose Notes
Year ending December 31:			
2004	\$159,312	\$92,840	\$52,064
2005	159,312	95,860	52,075
2006	159,312	93,585	52,075
2007	159,312	96,345	
2008	159,312	94,245	
Subsequent	1,194,842	1,500,980	
Total	\$1,991,402	\$1,973,855	\$156,214

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 2003 and 2002, OP&F participants contributed 3.5 of their wages and the Village had a "pickup" of 6.5% of the participant wages. The Village contributed an amount equal to 19.5% of police participant and 24% of fire participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

Risk Pool Membership

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool=s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

9. RESTATEMENT OF FUND BALANCES

For the year commencing January 1, 2003, the Village changed the East Cedar Street Fund from a Debt Service Fund to a Capital Project Fund, the Customer Deposit Fund from an Enterprise Fund to an Expendable Trust Fund and an Unclaimed Monies Fund from an Expendable Trust Fund to an Agency Fund. The following is the effect on the beginning fund balances as of January 1, 2003:

<u>Fund/Fund Type</u>	<u>Previously Stated Balance at 12/31/02</u>	<u>Reclassification</u>	<u>Restated Balance at 1/1/03</u>
Governmental Funds:			
Debt Service	\$10,164	(\$7,843)	\$2,321
Capital Projects	91,629	7,843	99,472
Expendable Trust	1,232	2,413	3,645
Proprietary Funds:			
Enterprise	151,348	(2,645)	148,703
Agency	4,700	232	4,932

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Auditor of State Betty Montgomery

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), Ashtabula County, as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated October 7, 2004. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we 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 October 26, 2004.

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

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 26, 2004

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
31104-001	Ohio Revised Code Section 5705.41 D	Corrected	
31104-002	Ohio Revised Code Section 731.14.1	Corrected	
31104-003	Warrants written of the system	Corrected	
31104-004	Cash Reconciliations were not done in a timely manner	Corrected	



**Auditor of State
Betty Montgomery**

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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
NOVEMBER 30, 2004**