

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Jefferson
27 East Jefferson St.
Jefferson, Ohio 44047

We have reviewed the *Independent Auditor's Report* of the Village of Jefferson, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 5, 2008

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**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Village Council
Village of Jefferson
Ashtabula County, Ohio

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the Village of Jefferson, Ashtabula County, (the Village) as of and for the year ended December 31, 2004. 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 19, 2007

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Receipts						
Property and Local Taxes	\$ 702,210	\$ 675,644	\$ 0	\$ 2,524	\$ 0	\$ 1,380,378
Intergovernmental Revenues	133,068	211,720	0	3,750	0	348,538
Special Assessments	0	4,733	46,238	1,650	0	52,621
Charges for Services	138	206,479	0	0	0	206,617
Fines, Licenses, and Permits	22,956	360	0	0	0	23,316
Miscellaneous	11,809	31,926	0	599	0	44,334
Interest	3,539	934	0	0	0	4,473
Total Receipts	<u>873,720</u>	<u>1,131,796</u>	<u>46,238</u>	<u>8,523</u>	<u>0</u>	<u>2,060,277</u>
Disbursements						
Security of Persons and Property	373,750	202,626	0	0	0	576,376
Public Health Services	0	0	0	0	0	0
Leisure Time Activities	0	291,710	0	0	2,005	293,715
Community Environment	906	10,455	0	6,082	0	17,443
Basic Utility Services	0	0	0	0	0	0
Transportation	36,837	510,553	81,654	19,402	0	648,446
General Government	366,816	6,147	7,500	81	10	380,554
Debt Service:						
Principal Retirement	0	0	163,669	0	0	163,669
Interest and Fiscal Charges	0	0	129,500	0	0	129,500
Total Disbursements	<u>778,309</u>	<u>1,021,491</u>	<u>382,323</u>	<u>25,565</u>	<u>2,015</u>	<u>2,209,703</u>
Total Receipts Over (Under) Disbursements	<u>95,411</u>	<u>110,305</u>	<u>(336,085)</u>	<u>(17,042)</u>	<u>(2,015)</u>	<u>(149,426)</u>
Other Financing Sources (Uses)						
Operating Transfers - In	0	83,915	346,279	23,459	0	453,653
Operating Transfers - Out	(85,875)	(150,966)	0	(6,211)	0	(243,052)
Proceeds from Sale of Debt	0	0	0	0	0	0
Proceeds from Sale of Capital Assets	0	0	0	0	0	0
Other Sources (Uses)	0	(3,155)	0	0	0	(3,155)
Total Other Financing Sources (Uses)	<u>(85,875)</u>	<u>(70,206)</u>	<u>346,279</u>	<u>17,248</u>	<u>0</u>	<u>207,446</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	9,536	40,099	10,194	206	(2,015)	58,020
Beginning Fund Cash Balance	102,220	238,839	38,284	16,920	2,015	398,278
Ending Fund Cash Balance	<u>\$ 111,756</u>	<u>\$ 278,938</u>	<u>\$ 48,478</u>	<u>\$ 17,126</u>	<u>\$ 0</u>	<u>\$ 456,298</u>
Reserves for Encumbrances, December 31	<u>\$ 15,801</u>	<u>\$ 41,400</u>	<u>\$ 18,834</u>	<u>\$ 780</u>	<u>\$ 0</u>	<u>\$ 76,815</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES AND
FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Type</u> <u>Enterprise</u>	<u>Fiduciary Fund Type</u> <u>Agency</u>	<u>Total (Memorandum Only)</u>
<u>Operating Revenues</u>			
Charges for Services	\$ 713,786	\$ 0	\$ 713,786
Miscellaneous	42,333	0	42,333
Total Operating Revenues	<u>756,119</u>	<u>0</u>	<u>756,119</u>
<u>Operating Expenses</u>			
Contractual Services	277,726	0	277,726
Personal Services	204,702	0	204,702
Material and Supplies	25,032	0	25,032
Capital Outlay	3,515	0	3,515
Travel Transportation	585	0	585
Total Operating Expenses	<u>511,560</u>	<u>0</u>	<u>511,560</u>
Total Operating Income	<u>244,559</u>	<u>0</u>	<u>244,559</u>
<u>Non-Operating Revenues</u>			
Property Tax and Other Local Taxes	32,336	0	32,336
Other Non-Operating Revenues	0	16,994	16,994
Total Non-Operating Revenues	<u>32,336</u>	<u>16,994</u>	<u>49,330</u>
<u>Non-Operating Expenses</u>			
Other Non-Operating Expenses	3,551	11,327	14,878
Total Non-Operating Expenses	<u>3,551</u>	<u>11,327</u>	<u>14,878</u>
Excess of Revenues Over Expenses before			
Interfund Transfers	<u>273,344</u>	<u>5,667</u>	<u>279,011</u>
Transfers In	11,079	0	11,079
Transfers Out	<u>(221,680)</u>	<u>0</u>	<u>(221,680)</u>
Net Revenues Over Expenses	62,743	5,667	68,410
Beginning Fund Cash Balance	<u>106,927</u>	<u>4,684</u>	<u>111,611</u>
Ending Fund Cash Balance	<u>\$ 169,670</u>	<u>\$ 10,351</u>	<u>\$ 180,021</u>
Reserve for Encumbrances, December 31	<u>\$ 19,564</u>	<u>\$ 0</u>	<u>\$ 19,564</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental:			
General Fund	\$ 881,061	\$ 873,720	\$ (7,341)
Special Revenue Funds	1,195,158	1,215,711	20,553
Debt Service Fund	394,766	392,517	(2,249)
Capital Project Funds	31,883	31,982	99
Proprietary:			
Enterprise Funds	<u>761,262</u>	<u>799,534</u>	<u>38,272</u>
Total (Memorandum Only)	<u>\$ 3,264,130</u>	<u>\$ 3,313,464</u>	<u>\$ 49,334</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
COMBINED STATEMENT OF DISBURSEMENT AND ENCUMBRANCES
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

Fund Types/Funds	Prior Year Carryover Encumbrances	Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:							
General Fund	\$ 12,362	\$ 923,425	\$ 935,787	\$ 864,184	\$ 15,801	\$ 879,985	\$ 55,802
Special Revenue Funds	7,230	1,252,824	1,260,054	1,175,612	41,400	1,217,012	43,042
Debt Service Fund	31,520	397,023	428,543	382,323	18,834	401,157	27,386
Capital Projects Funds	9,883	35,976	45,859	31,776	780	32,556	13,303
Proprietary:							
Enterprise	7,805	765,325	773,130	736,791	19,564	756,355	16,775
Fiduciary Funds:							
Expendable Trust Funds	0	2,005	2,005	2,015	0	2,015	(10)
Total (Memorandum Only)	<u>\$ 68,800</u>	<u>\$ 3,376,578</u>	<u>\$ 3,445,378</u>	<u>\$ 3,192,701</u>	<u>\$ 96,379</u>	<u>\$ 3,289,080</u>	<u>\$ 156,298</u>

The accompanying notes are in integral part of these financial statements.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jefferson, Ashtabula County, Ohio (the Village), is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term. The Village provides refuse (contracted) and sewer utilities, income tax in house, park operations and police. The Village operates a volunteer fire department operated by income tax money and contracts.

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:

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

Governmental Funds

General Fund - The general fund is the operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

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.

Recreation Fund - This fund receives fees and general fund transfers to fund the Village's Community Center.

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

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 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.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

Capital Projects Fund - 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.

Enterprise Fund - 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.

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.

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

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 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. 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.

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, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 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, 2004 as follows:

	<u>2004</u>
Demand Deposits	\$ 257,319
Certificates of Deposit	<u>157,875</u>
Total Deposits	<u>415,194</u>
Investments:	
STAR Ohio	<u>220,125</u>
Total Investments	<u>220,125</u>
Total Deposits and Investments	<u>\$ 635,319</u>

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

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 3: TRANSFERS

The following is a summary of transfers in and out for all funds for 2004:

	Transfers Out						Total
	General Fund 101	Street Lighting Levy Fund 209	Capital Improvement Fund 224	Sewer Improvement Fund 509	Capital Projects East Cedar 802	Capital Projects West Cedar 803	
<u>Transfers In:</u>							
Village Recreation							
Fund 204	\$ 81,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 81,500
Capital Improvement							
Fund 224	0	0	0	0	2,415	0	2,415
2003 Paving Project							
Fund 230	0	0	31,759	0	0	0	31,759
Issue II-Woodside							
Fund 250	0	0	0	55,440	0	0	55,440
Recreation Facility Notes							
Fund 310	0	0	92,840	0	0	0	92,840
OWDA Repayment							
Fund 420	0	0	0	148,266	0	0	148,266
Block Grant Fund 440	0	0	20,259	0	0	0	20,259
Orphan Well Grant							
Fund 450	0	0	2,000	0	0	0	2,000
Traffic Control Grant							
Fund 460	0	1,200	0	0	0	0	1,200
East Beech Street Sewer							
Fund 470	0	0	0	17,974	0	0	17,974
Sewer Improvement							
Fund 509	<u>4,375</u>	<u>0</u>	<u>2,908</u>	<u>0</u>	<u>0</u>	<u>3,796</u>	<u>11,079</u>
Totals	<u>\$ 85,875</u>	<u>\$ 1,200</u>	<u>\$ 149,766</u>	<u>\$ 221,680</u>	<u>\$ 2,415</u>	<u>\$ 3,796</u>	<u>\$ 464,732</u>

	Transfers In	Transfers Out
<u>Transfers by Fund Type</u>		
General Fund	\$ 0	\$ 85,875
Special Revenue	83,915	150,966
Debt Service	346,279	0
Capital Projects	23,459	6,211
Enterprise	<u>11,079</u>	<u>221,680</u>
Totals	<u>\$ 464,732</u>	<u>\$ 464,732</u>

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 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 on 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.

NOTE 5: LOCAL INCOME TAX

The Village levies a 1 percent income tax whose proceeds are placed into the General Fund and the Capital Improvement Fund. The Village levies and collects on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village of Jefferson at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 6: DEBT

Debt outstanding at December 31, 2004 consisted of the following:

<u>Description</u>	<u>Balance 12/31/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2004</u>
<u>General Obligation Notes</u>				
Various Purpose Notes, 2.74%	\$ 149,000	\$ 0	\$ 48,321	\$ 100,679
<u>General Obligation Bonds</u>				
Recreation Facility Bonds, 6.60%	1,175,000	0	30,000	1,145,000
<u>Ohio Water Development Authority Loan</u>				
Sewer Construction Loan, 4.56%	1,400,858	0	85,348	1,315,510
Total	<u>\$ 2,724,858</u>	<u>\$ 0</u>	<u>\$ 163,669</u>	<u>\$ 2,561,189</u>

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 6: **DEBT** (Continued)

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:

	<u>OWDA Loan</u>	<u>Recreation Facility Bonds</u>	<u>Various Purpose Notes</u>	<u>Total Debt Service</u>
Year Ending December 31:				
2005	\$ 148,265	\$ 95,860	\$ 52,075	\$ 296,200
2006	148,265	93,585	52,075	293,925
2007	148,265	96,345	0	244,610
2008	148,265	94,245	0	242,510
2009	148,265	92,285	0	240,550
Subsequent	<u>963,727</u>	<u>1,408,695</u>	<u>0</u>	<u>2,372,422</u>
Total	<u>\$ 1,705,052</u>	<u>\$ 1,881,015</u>	<u>\$ 104,150</u>	<u>\$ 3,690,217</u>

NOTE 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.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)**

NOTE 7: **RETIREMENT SYSTEMS** (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 3.5 percent of their wages and the Village had a “pickup” of 6.5 percent of the participant wages. The Village contributed an amount equal to 19.5 percent of police participant wages and 24 percent of fire participant wages. PERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants’ gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

NOTE 8: **RISK MANAGEMENT**

Risk Pool Management

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, liability, law enforcement, automobile, inland marine, and other coverages insurance for its members. The Plan pay judgments, settlements and other expenses resulting for covered claims that exceed the members’ deductibles.

The Pool pays 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 audited financial statements conform with generally accepted accounting principles and reported the following assets, liabilities and retained deficit at December 31, 2004.

	<u>2004</u>
Assets	\$ 2,309,178
Liabilities	<u>(3,343,299)</u>
Retained Deficit	<u><u>\$(1,034,121)</u></u>

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

To the Members of Village Council
Village of Jefferson
Ashtabula County, Ohio

We have audited the financial statements of the Village of Jefferson, Ashtabula County, Ohio (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated December 19, 2007, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Jefferson's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Jefferson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Jefferson's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Jefferson's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Village of Jefferson's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2004-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Jefferson's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Village of Jefferson's management in a separate letter dated December 19, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jefferson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings as item 2004-001.

In a separate letter to the Village of Jefferson's management dated December 19, 2007, we reported other matters related to noncompliance.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 19, 2007

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

Finding Number 2004-001 - Noncompliance Citation and Significant Deficiency

Ohio Revised Code Section 5705-14 states that no transfer can be made from one fund to another fund, except as follows:

- (1) To move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them;
- (2) To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and
- (3) To use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Ohio Revised Code Section 5705.15 and 5705.16 states that in addition to the transfers listed above, which Ohio Revised Code Section 5705.14 authorizes, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payments of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by a law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

We found a few instances of transfers being made that do not comply with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16 as explained above. To improve controls over the budget, we recommend that all transfers comply with the above sections of the Ohio Revised Code.

Village Response

The Village will implement procedures to determine that all transfers comply with Ohio Revised Code.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004**

The prior audit report, as of December 31, 2003 and 2002, included only management letter recommendations.



Mary Taylor, CPA
Auditor of State

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
AUGUST 19, 2008**