



Dave Yost • Auditor of State

VILLAGE OF JEWETT
HARRISON COUNTY

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Dave Yost • Auditor of State

Village of Jewett
Harrison County
P.O. Box 192
Jewett, Ohio 43986-0192

To the Village Council:

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

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Dave Yost
Auditor of State

May 31, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Jewett
Harrison County
P.O. Box 192
Jewett, Ohio 43986-0192

To the Village Council:

We have audited the accompanying financial statements of the Village of Jewett, Harrison County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Jewett, Harrison County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, 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.



Dave Yost
Auditor of State

May 31, 2011

VILLAGE OF JEWETT
HARRISON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$25,307	\$31,958		\$57,265
Municipal Income Tax	59,098			59,098
Intergovernmental	28,703	40,053		68,756
Special Assessments	126			126
Charges for Services		675		675
Fines, Licenses and Permits	8,592			8,592
Earnings on Investments	696	278		974
Miscellaneous	1,941	2,595		4,536
	<u>124,463</u>	<u>75,559</u>		<u>200,022</u>
Total Cash Receipts				
	<u>124,463</u>	<u>75,559</u>		<u>200,022</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	38,374	9,500		47,874
Leisure Time Activities		6,350		6,350
Community Environment		2,000		2,000
Transportation		41,881		41,881
General Government	80,393	1,448		81,841
Debt Service:				
Redemption of Principal	5,097	5,527	\$400	11,024
Interest and Fiscal Charges	407	292		699
Capital Outlay		7,063		7,063
	<u>124,271</u>	<u>74,061</u>	<u>400</u>	<u>198,732</u>
Total Cash Disbursements				
	<u>124,271</u>	<u>74,061</u>	<u>400</u>	<u>198,732</u>
Total Receipts Over/(Under) Disbursements	<u>192</u>	<u>1,498</u>	<u>(400)</u>	<u>1,290</u>
Other Financing Receipts / (Disbursements):				
Advances-In		5,000		5,000
Advances-Out	(5,000)			(5,000)
Other Financing Sources	7			7
Other Financing Uses	(620)			(620)
	<u>(5,613)</u>	<u>5,000</u>		<u>(613)</u>
Total Other Financing Receipts / (Disbursements)				
	<u>(5,613)</u>	<u>5,000</u>		<u>(613)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(5,421)</u>	<u>6,498</u>	<u>(\$400)</u>	<u>677</u>
Fund Cash Balances, January 1	<u>88,421</u>	<u>47,848</u>	<u>\$400</u>	<u>136,669</u>
Fund Cash Balances, December 31	<u>\$83,000</u>	<u>\$54,346</u>		<u>\$137,346</u>

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

**VILLAGE OF JEWETT
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$245,496
Miscellaneous	2,873
	248,369
Total Operating Cash Receipts	248,369
Operating Cash Disbursements:	
Personal Services	44,666
Employee Fringe Benefits	11,031
Contractual Services	40,184
Supplies and Materials	33,932
Other	2,750
	132,563
Total Operating Cash Disbursements	132,563
Operating Income/(Loss)	115,806
Non-Operating Cash Disbursements:	
Redemption of Principal	35,230
Interest and Other Fiscal Charges	48,409
	83,639
Total Non-Operating Cash Disbursements	83,639
Net Receipts Over/(Under) Disbursements	32,167
Fund Cash Balances, January 1	162,488
Fund Cash Balances, December 31	\$194,655

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

VILLAGE OF JEWETT
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$28,256	\$35,452		\$63,708
Municipal Income Tax	41,107			41,107
Intergovernmental	69,542	39,598		109,140
Fines, Licenses and Permits	8,798			8,798
Earnings on Investments	1,656	219		1,875
Miscellaneous	817	2,026		2,843
Total Cash Receipts	<u>150,176</u>	<u>77,295</u>		<u>227,471</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	40,904	9,519		50,423
Public Health Services		11,788		11,788
Transportation		34,773		34,773
General Government	82,707	1,540		84,247
Debt Service:				
Redemption of Principal	4,711	9,830		14,541
Interest and Fiscal Charges	642	755		1,397
Capital Outlay		1,864		1,864
Total Cash Disbursements	<u>128,964</u>	<u>70,069</u>		<u>199,033</u>
Total Receipts Over/(Under) Disbursements	<u>21,212</u>	<u>7,226</u>		<u>28,438</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	398	2,299		2,697
Transfers-Out		(6,120)		(6,120)
Other Financing Sources	320			320
Other Financing Uses	(60)			(60)
Total Other Financing Receipts / (Disbursements)	<u>658</u>	<u>(3,821)</u>		<u>(3,163)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	21,870	3,405		25,275
Fund Cash Balances, January 1	<u>66,551</u>	<u>44,443</u>	<u>400</u>	<u>111,394</u>
Fund Cash Balances, December 31	<u>\$88,421</u>	<u>\$47,848</u>	<u>\$400</u>	<u>\$136,669</u>

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

**VILLAGE OF JEWETT
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$242,463
Total Operating Cash Receipts	242,463
Operating Cash Disbursements:	
Personal Services	42,105
Employee Fringe Benefits	10,155
Contractual Services	37,767
Supplies and Materials	28,688
Other	2,654
Total Operating Cash Disbursements	121,369
Operating Income/(Loss)	121,094
Non-Operating Cash Disbursements:	
Redemption of Principal	52,676
Interest and Other Fiscal Charges	46,843
Total Non-Operating Cash Disbursements	99,519
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	21,575
Transfers-In	3,423
Net Receipts Over/(Under) Disbursements	24,998
Fund Cash Balances, January 1	137,490
Fund Cash Balances, December 31	\$162,488

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

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Jewett, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Harrison County Sheriff's department to provide additional security of persons and property. The Village contracts with the Jewett Volunteer Fire Department to provide fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Municipal Joint Self-Insurance Pool is an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 JEWETT
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. General Fund

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

2. Special Revenue Funds

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

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

Street Levy Fund – This fund receives local tax and intergovernmental receipts for maintenance of Village streets.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

OWDA-Sewer Project Fund – This fund received intergovernmental receipts to complete a sewer project.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Operating Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Sinking Fund - This fund receives charges for services from residents to repay the sewer loan.

E. Budgetary Process

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

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2010	2009
Demand deposits	\$218,260	\$186,021
Certificates of deposit	52,284	51,745
Total deposits	270,544	237,766
STAR Ohio	61,457	61,391
Total deposits and investments	\$332,001	\$299,157

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS - (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,000	\$124,470	\$24,470
Special Revenue	71,609	75,559	3,950
Enterprise	220,000	248,369	28,369
Total	\$391,609	\$448,398	\$56,789

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,000	\$124,891	\$42,109
Special Revenue	108,555	74,061	34,494
Capital Projects	400	400	0
Enterprise	357,100	216,202	140,898
Total	\$633,055	\$415,554	\$217,501

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,651	\$150,894	\$55,243
Special Revenue	66,672	79,594	12,922
Enterprise	201,117	245,886	44,769
Total	\$363,440	\$476,374	\$112,934

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$163,808	\$129,024	\$34,784
Special Revenue	108,790	76,189	32,601
Capital Projects	400	0	400
Enterprise	338,607	220,888	117,719
Total	\$611,605	\$426,101	\$185,504

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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 one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 Sewer Mortgage Revenue Bonds	\$1,356,900	3.25%
OWDA Loan # 3880	\$12,500	0.00%
Backhoe Loan	\$10,289	4.99%
2005 Police Cruiser Loan	1,692	4.875%
Total	<u>\$1,381,381</u>	

The Sewer System Mortgage Revenue Bonds Series A and B were used to pay part of the cost of certain improvements to the sanitary sewer system of the Village. The original bond amounts of Series A and B were \$1,454,000 and \$125,000, respectively, dated October 26, 1999. The bonds are to be paid off in annual installments from 2002 through 2039. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The Ohio Water Development Authority (OWDA) loan # 3880 was for the planning of a water project. The loan is to be repaid in annual installments of \$2,500 over a ten year period with zero percent interest. The final payment is due July 1, 2015. The loan is collateralized by water receipts.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. DEBT - (Continued)

The original loan amount for the backhoe was \$43,573 dated August 25, 2006. The loan is to be paid out of general, street, and water funds. This loan is payable in monthly installments of \$757 until paid off in August of 2012. The amount borrowed is collateralized by the backhoe.

The original loan amount for the 2005 police cruiser was \$7,000 dated July 19, 2008. The loan is collateralized by the vehicle and the Village's taxing authority. This loan is payable in monthly installments of \$210 until paid off in full on July 19, 2011.

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

Year ending December 31:	Sewer Mortgage Revenue Bonds	OWDA Loan # 3880	Backhoe Loan	2005 Police Cruiser Loan
2011	\$72,999	\$2,500	\$9,084	\$1,774
2012	72,860	2,500	1,477	
2013	72,995	2,500		
2014	72,994	2,500		
2015	72,960	2,500		
2016-2020	364,806			
2021-2025	364,776			
2026-2030	364,813			
2031-2035	364,768			
2036-2040	291,753			
Total	<u>\$2,115,724</u>	<u>\$12,500</u>	<u>\$10,561</u>	<u>\$1,774</u>

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

VILLAGE OF JEWETT
HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)

8. RISK MANAGEMENT - (Continued)

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2009, retention levels are \$100,000 and \$150,000 for property and casualty coverage, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$2,109,514	\$ 2,552,519
Liabilities	<u>(1,920,839)</u>	<u>(2,814,306)</u>
Accumulated deficit	<u>\$188,675</u>	<u>(\$261,787)</u>

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Dave Yost • Auditor of State

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

Village of Jewett
Harrison County
P.O. Box 192
Jewett, Ohio 43986-0192

To the Village Council:

We have audited the financial statements of Village of Jewett (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 31, 2011 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 also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 31, 2011.

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

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

Dave Yost
Auditor of State

May 31, 2011

VILLAGE OF JEWETT
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Fiscal Officer did not record the amount against the applicable appropriation accounts for 40% and 27% of tested expenditures of 2010 and 2009, respectively. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

We did not receive a response from officials to this finding.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code Section 5705.41(D). Disbursements were not properly certified.	No	Repeated as Finding Number 2010-01
2008-002	Significant deficiency/ material weakness for the proper classification of receipts and disbursements.	No	Partially corrected – reported in the management letter

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Dave Yost • Auditor of State

VILLAGE OF JEWETT

HARRISON 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 2, 2011