



**Auditor of State
Betty Montgomery**

VILLAGE OF JEWETT
HARRISON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Jewett
Harrison County
P.O. Box 192
110 West Main Street
Jewett, OH 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 a February 2, 2005 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

February 17, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Jewett
Harrison County
P.O. Box 192
110 West Main Street
Jewett, OH 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, 2004 and 2003. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for 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 and reserves for encumbrances of the Village of Jewett, Harrison County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 February 17, 2006, 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.



Betty Montgomery
Auditor of State

February 17, 2006

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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$16,182	\$21,622		\$37,804
Municipal Income Tax	40,959			40,959
Intergovernmental Receipts	27,190	71,799		98,989
Fines, Licenses, and Permits	1,426			1,426
Earnings on Investments	1,594			1,594
Miscellaneous	4,404	1,874		6,278
	<hr/>	<hr/>		<hr/>
Total Cash Receipts	91,755	95,295		187,050
Cash Disbursements:				
Current:				
Security of Persons and Property	33,631	3,941		37,572
Public Health Services	20			20
Leisure Time Activities		1,890		1,890
Community Environment		10,658		10,658
Basic Utility Services	1,315			1,315
Transportation		29,678		29,678
General Government	38,010	8,127	\$17,269	63,406
Debt Service:				
Principal Payments	2,607	2,011		4,618
Interest Payments	75	505		580
Capital Outlay	5,204	9,548		14,752
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	80,862	66,358	17,269	164,489
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	10,893	28,937	(17,269)	22,561
Other Financing Receipts and (Disbursements):				
Sale of Notes			20,000	20,000
Other Financing Sources	4,921			4,921
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	4,921		20,000	24,921
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	15,814	28,937	2,731	47,482
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	46,734	6,920		53,654
Fund Cash Balances, December 31	<hr/> \$62,548 <hr/>	<hr/> \$35,857 <hr/>	<hr/> \$2,731 <hr/>	<hr/> \$101,136 <hr/>

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 - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$197,964		\$197,964
Miscellaneous	14,537		14,537
Total Operating Cash Receipts	<u>212,501</u>		<u>212,501</u>
Operating Cash Disbursements:			
Personal Services	33,948		33,948
Fringe Benefits	13,419		13,419
Contractual Services	35,880		35,880
Supplies and Materials	41,365		41,365
Other	11,788		11,788
Capital Outlay	8,680		8,680
Total Operating Cash Disbursements	<u>145,080</u>		<u>145,080</u>
Operating Income/(Loss)	<u>67,421</u>		<u>67,421</u>
Non-Operating Cash Disbursements:			
Debt Service	(100,655)		(100,655)
Total Non-Operating Cash Disbursements	<u>(100,655)</u>		<u>(100,655)</u>
Net Receipts Over/(Under) Disbursements	(33,234)		(33,234)
Fund Cash Balances, January 1	<u>151,776</u>	<u>\$45</u>	<u>151,821</u>
Fund Cash Balances, December 31	<u>\$118,542</u>	<u>\$45</u>	<u>\$118,587</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$17,510	\$22,514	\$40,024
Municipal Income Tax	37,263		37,263
Intergovernmental Receipts	27,716	25,376	53,092
Fines, Licenses, and Permits	495		495
Earnings on Investments	859	1	860
Miscellaneous	2,214	400	2,614
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	86,057	48,291	134,348
Cash Disbursements:			
Current:			
Security of Persons and Property	31,181	3,075	34,256
Public Health Services	287		287
Leisure Time Activities		1,790	1,790
Basic Utility Services	284		284
Transportation		42,425	42,425
General Government	47,319	6,113	53,432
Debt Service:			
Principal Payments		3,004	3,004
Interest Payments		348	348
Capital Outlay	350		350
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	79,421	56,755	136,176
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	6,636	(8,464)	(1,828)
Other Financing Receipts and (Disbursements):			
Other Financing Sources	1,218		1,218
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,218		1,218
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	7,854	(8,464)	(610)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	38,880	15,384	54,264
Fund Cash Balances, December 31	<hr/> \$46,734	<hr/> \$6,920	<hr/> \$53,654

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 - PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$202,042		\$202,042
Total Operating Cash Receipts	<u>202,042</u>		<u>202,042</u>
Operating Cash Disbursements:			
Personal Services	39,718		39,718
Fringe Benefits	14,295		14,295
Contractual Services	33,713		33,713
Supplies and Materials	21,747		21,747
Other	8,225		8,225
Capital Outlay	9,950		9,950
Total Operating Cash Disbursements	<u>127,648</u>		<u>127,648</u>
Operating Income/(Loss)	<u>74,394</u>		<u>74,394</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	7,975		7,975
Total Non-Operating Cash Receipts	<u>7,975</u>		<u>7,975</u>
Non-Operating Cash Disbursements:			
Debt Service	(94,277)		(94,277)
Total Non-Operating Cash Disbursements	<u>(94,277)</u>		<u>(94,277)</u>
Net Receipts Over/(Under) Disbursements	(11,908)		(11,908)
Fund Cash Balances, January 1	163,684	\$45	163,729
Fund Cash Balances, December 31	<u>\$151,776</u>	<u>\$45</u>	<u>\$151,821</u>
Reserve for Encumbrances, December 31	<u>\$82</u>		<u>\$82</u>

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, 2004 AND 2003**

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 governs the Village. The Village provides water and sewer utilities, street repair and maintenance, park operations and police protection. The Village contracts with the Jewett Volunteer Fire Department to provide fire protection services.

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

B. Basis of Accounting

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

These funds 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 Fund:

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 JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. 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 the cost of providing this utility.

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

4. 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:

Ohio Water Development Authority Fund – This fund received loan proceeds to conduct a feasibility study for the Village’s water delivery system.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund 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:

Unclaimed Monies Fund -This fund reports unclaimed monies (outstanding checks not cashed) of the Village.

D. Budgetary Process

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

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. Village 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. The Village did not encumber all commitments as required by Ohio Revised Code Section 5705.41(D).

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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

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

	2004	2003
Demand deposits	\$198,896	\$184,790
Certificates of deposit	20,827	20,685
Total deposits	\$219,723	\$205,475

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$63,085	\$96,676	\$33,591
Special Revenue	74,703	95,295	20,592
Capital Projects	25,000	20,000	(5,000)
Enterprise	344,842	212,501	(132,341)
Total	\$507,630	\$424,472	(\$83,158)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$246,000	\$80,862	\$165,138
Special Revenue	114,908	66,358	48,550
Capital Projects	25,000	17,269	7,731
Enterprise	488,843	245,735	243,108
Total	\$874,751	\$410,224	\$464,527

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,123	\$87,275	\$44,152
Special Revenue	29,503	48,291	18,788
Enterprise	351,158	210,017	(141,141)
Total	\$423,784	\$345,583	(\$78,201)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,948	\$79,421	\$527
Special Revenue	34,231	56,755	(22,524)
Enterprise	340,241	222,007	118,234
Total	\$454,420	\$358,183	\$96,237

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair Fund, the Park Fund and the Street Levy Fund during fiscal year 2003. Also contrary to Ohio Revised Code Section 5705.39, appropriations exceeded the amount certified as available for expenditure in the General Fund, the Street Construction, Maintenance and Repair Fund, the State Highway Fund, the Fire Levy Fund, the Street Levy Fund and the Federal Emergency Management Agency Fund in fiscal year 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

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.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Waterline Loan	\$62,694	5.20%
Sewer Mortgage Revenue Bond Series A	1,392,300	3.25%
Sewer Mortgage Revenue Bond Series B	119,700	3.25%
Truck Lease	10,513	5.80%
OWDA Loan # 3880	<u>25,000</u>	0.00%
Total	<u><u>\$1,610,207</u></u>	

The Waterline Loan relates to start up costs associated with the new water/sewer project. The original loan amount was \$156,000 dated September 30, 1994. The loan is collateralized by water receipts. This loan is payable in installments of \$1,256.96 per month until paid in full.

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 were \$1,454,000 and \$125,000, respectively, dated October 26, 1999. The bonds are to be paid off in annual installments from 2002 to 2039. The bonds are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt service requirements.

The truck lease relates to the lease of a dump truck which is used by the street department, the water department and the sewer department. The lease is secured by the Village's taxing authority and by future water and sewer receipts.

The Ohio Water Development Authority (OWDA) loan # 3880 was for the planning of a water project. The loan will be repaid in annual installments of \$2,500 over a ten year period with zero percent interest. The first payment is due July 1, 2006. The Village was approved to borrow \$25,000 and to date has drawn down \$20,000. The scheduled payments presented below assume that \$25,000, the full amount, will be borrowed. The loan is collateralized by water receipts.

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

Year Ending December 31	Waterline Loan	Mortgage Revenue Bonds	Truck Lease	OWDA Loan # 3880
2005	\$17,571	\$73,040	\$7,522	
2006	17,571	72,863	3,420	\$2,500
2007	17,571	73,067		2,500
2008	17,571	72,838		2,500
2009	2,629	73,090		2,500
Subsequent		2,188,629		15,000
Total	<u><u>\$72,913</u></u>	<u><u>\$2,553,527</u></u>	<u><u>\$10,942</u></u>	<u><u>\$25,000</u></u>

**VILLAGE OF JEWETT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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 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 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.

	<u>2004</u>	<u>2003</u>
Assets	\$2,390,150	\$1,811,340
Liabilities	<u>(3,424,271)</u>	<u>(3,653,152)</u>
Accumulated deficit	<u>(\$1,034,121)</u>	<u>(\$1,841,812)</u>



Auditor of State Betty Montgomery

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
110 West Main Street
Jewett, OH 43986-0192

To the Village Council:

We have audited the financial statements of Village of Jewett, Harrison County, (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 17, 2006, 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 that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-004.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Village's management dated February 17, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Village's management dated February 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 17, 2006

VILLAGE OF JEWETT
HARRISON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Non Compliance 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 Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 at a particular time for any line item appropriation.

The Village did not properly certify or record the amount against the applicable appropriation accounts for 88% of the tested expenditures in 2003 and 66% of the tested expenditures in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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 Clerk/Treasurer 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.

FINDING NUMBER 2004-002

Non Compliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditures unless they have been properly appropriated.

The following funds had expenditures which exceeded appropriations during fiscal year 2003:

Fund	Appropriations	Expenditures	Variance
Street Construction, Maintenance, and Repair Fund	\$10,000	\$18,629	(\$8,629)
Park Fund	1,000	1,500	(500)
Street Levy Fund	11,300	29,438	(18,138)

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2004-003

Non Compliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificate of Estimated Resources. This section also states that no appropriation measure shall become effective until the county auditor files with the taxing authority a certificate that the total appropriations from each fund does not exceed the total estimated revenue.

Appropriations exceeded the amount certified as available by the budget commission in the following funds during 2004:

**VILLAGE OF JEWETT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

Fund Name	Total Resources	Appropriations	Variance
General Fund	\$116,605	\$246,000	(\$129,395)
Street Construction, Maintenance and Repair Fund	16,600	26,600	(10,000)
State Highway Fund	2,034	5,034	(3,000)
Fire Levy Fund	3,670	5,200	(1,530)
Street Levy Fund	14,550	24,000	(9,450)
FEMA Fund	33,196	43,813	(10,617)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances. The Village Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

FINDING NUMBER 2004-004

Reportable Condition

Proper Classification of Receipts and Disbursements

The Village Clerk/Treasurer is responsible for posting receipts and expenditures to the ledgers. The Clerk/Treasurer did not always code and classify receipts and expenditures following a uniform chart of accounts. As a result errors occurred including misclassifications of tax receipts, income tax receipts, intergovernmental receipts, charges for services, debt proceeds, debt payments and disbursements. The Village Clerk/Treasurer has agreed to and posted the reclassifications to the ledgers and these reclassified amounts are reflected in the accompanying financial statements.

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance related legal and contractual requirements and prepare financial statements as required.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should review the chart of accounts suggested in the Uniform Accounting Network Accounting Manual, Appendix B. Receipts and expenditures should be properly coded and classified according to the Village's adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

**VILLAGE OF JEWETT
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	ORC Section 5705.41 (B) Disbursements exceeded appropriations.	No	Cited again as Finding number 2004-002.
2002-002	ORC Section 5705.41 (D) Disbursements were not properly certified.	No	Cited again as Finding number 2004-001.
2002-003	ORC Section 5705.39 Appropriations exceeded total available resources.	No	Cited again as Finding number 2004-003.



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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
APRIL 4, 2006**