

Village of Jeffersonville
Fayette County
Regular Audit
For the Year Ended December 31, 2004
Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

January 12, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Village Council
Village of Jeffersonville
4 North Main Street
P. O. Box 7
Jeffersonville, Ohio 43128

We have reviewed the *Independent Auditor's Report* of the Village of Jeffersonville, Fayette County, prepared by Balestra, Harr & Scherer, CPAs, 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 Jeffersonville is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 2, 2007

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Village of Jeffersonville
TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Governmental Fund Types For the Year Ended December 31, 2004.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes In Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2004.....	4
Notes to the Financial Statements.....	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial statements Performed in Accordance With <i>Government Auditing Standards</i>	12
Schedule of Findings	14
Schedule of Prior Audit Findings.....	17
Corrective Action Plan	19

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Ohio Society of Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Jeffersonville
Fayette County
4 North Main Street
Jeffersonville, Ohio 43128

We have audited the accompanying financial statements of the Village of Jeffersonville, Fayette 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 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. We believe that our audit provides a reasonable basis for our opinion.

As described 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 accounting principles generally accepted in the United States of America, 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, 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 require 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 the 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above 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 Jeffersonville, Fayette County, as of December 31, 2004, 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 & Analysis for the year ended December 31, 2004. The Village has not presented Management's Discussion & 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 October 25, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The 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.



Balestra, Harr & Scherer, CPAs, Inc.

October 25, 2006

**Village of Jeffersonville
Fayette County, Ohio**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Totals
	General	Special Revenue	Debt Service	(Memorandum Only)
Cash Receipts:				
Property and Local Taxes	\$ 140,895	\$ 3,263	\$ -	\$ 144,158
Municipal Income Tax	248,762	-	-	248,762
Intergovernmental	68,405	57,580	-	125,985
Charges for Services	-	27,739	-	27,739
Fines, Licenses, and Permits	5,635	-	-	5,635
Earnings on Investments	501	56	-	557
Miscellaneous	24,884	11,982	-	36,866
Total Cash Receipts	489,082	100,620	-	589,702
Cash Disbursements:				
Current:				
Security of Persons & Property	52,234	-	-	52,234
Public Health Service	5,100	-	-	5,100
Leisure Time Activities	-	36,812	-	36,812
Community Environment	5,222	-	-	5,222
Basic Utility Services	142,000	-	-	142,000
Transportation	-	49,812	-	49,812
General Government	476,387	1,398	-	477,785
Capital Outlay	-	16,797	-	16,797
Debt Service:				
Redemption of Principal	16,300	-	-	16,300
Interest and Fiscal Charges	2,423	-	1,176	3,599
Total Cash Disbursements	699,666	104,819	1,176	805,661
Total Cash Receipts Over/(Under) Cash Disbursements	(210,584)	(4,199)	(1,176)	(215,959)
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	109,951	-	-	109,951
Other Uses	(18,880)	-	-	(18,880)
Total Other Financing Receipts/(Disbursements)	91,071	-	-	91,071
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(119,513)	(4,199)	(1,176)	(124,888)
Fund Cash Balances, January 1	119,522	36,519	15,048	171,089
Fund Cash Balances, December 31	\$ 9	\$ 32,320	13,872	\$ 46,201
Reserve for Encumbrances, December 31	\$ 800	\$ 910	-	\$ 1,710

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

**Village of Jeffersonville
Fayette County, Ohio**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 373,947	\$ -	\$ 373,947
Miscellaneous	-	115	115
Total Operating Cash Receipts	<u>373,947</u>	<u>115</u>	<u>374,062</u>
Operating Cash Disbursements:			
Personal Services	62,020	-	62,020
Employee Fringe Benefits	43,423	-	43,423
Contractual Services	33,178	-	33,178
Supplies and Materials	114,647	-	114,647
Other	5,419	-	5,419
Capital Outlay	<u>135,242</u>	<u>-</u>	<u>135,242</u>
Total Operating Cash Disbursements	<u>393,929</u>	<u>-</u>	<u>393,929</u>
Operating Income/(Loss)	(19,982)	115	(19,867)
Non-Operating Receipts/(Disbursements):			
Miscellaneous Receipts	5,710	-	5,710
Redemption of Principal	(108,312)	-	(108,312)
Interest & Fiscal Charges	<u>(23,997)</u>	<u>-</u>	<u>(23,997)</u>
Total Other Financing Receipts/(Disbursements)	<u>(126,599)</u>	<u>-</u>	<u>(126,599)</u>
Net Receipts Over/ (Under) Disbursements	<u>(146,581)</u>	<u>115</u>	<u>(146,466)</u>
Fund Cash Balances, January 1	<u>215,277</u>	<u>32</u>	<u>215,309</u>
Fund Cash Balances, December 31	<u>\$ 68,696</u>	<u>\$ 147</u>	<u>\$ 68,843</u>
Reserve for Encumbrances, December 31	<u>\$ 564</u>	<u>\$ -</u>	<u>\$ 564</u>

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jeffersonville, Fayette 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 publicly-elected six-member Council. The Village provides water utilities, pool and park operations. The Village contracts with the Fairfield County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village's funds were deposited in a "NOW" checking account with a local commercial bank.

D. Fund Accounting

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

1. General Fund:

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

2. Special Revenue Funds:

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

Street Construction, Maintenance and Repair Fund – This fund receipts gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

Parks and Recreation Fund – This fund receives bed tax money, swimming pool memberships and fees to fund the municipal swimming pool.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund:

This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Enterprise Funds:

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

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

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

5. Fiduciary Funds (Agency Funds)

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 is used to account for monies due to other individuals which have not been claimed.

E. 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 or function 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. 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.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

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 and investments at December 31 was as follows:

Demand deposits	\$115,044
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Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004, was as follows:

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$520,470	\$599,033	\$78,563
Special Revenue	73,000	100,620	27,620
Debt Service	0	0	0
Enterprise	430,500	379,657	(50,843)
Total	\$1,023,970	\$1,079,310	\$55,340

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

3. BUDGETARY ACTIVITY (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$806,476	\$719,346	\$87,130
Special Revenue	107,917	105,729	2,188
Debt Service	15,048	1,176	13,872
Enterprise	649,064	526,802	122,262
Total	<u>\$1,578,505</u>	<u>\$1,353,053</u>	<u>\$225,452</u>

Contrary to Ohio law, an increased amended certificate was not obtained for one fund and Council appropriated the additional revenues. Also, a reduced amended certificate was not obtained when actual receipts were significantly less than estimated receipts in three funds resulting in available resources being less than appropriations. Additionally Council appropriated monies to one fund in excess of estimated resources.

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 payment, 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.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Loan	\$201,005	5.00%
Water Treatment Loan	105,520	2.00%
Sewer Treatment Loan	486,828	2.00%
OWDA Waste Water Treatment Expansion Design Loan	46,337	0.00%
State Route 41/Carr Road Loan	72,450	0.00%
State Route 41/Carr Road Bond Anticipation Notes	40,000	5.00%
Waste Water Treatment Expansion Loan	76,070	0.00%
Total	<u><u>\$1,028,210</u></u>	

The Sewer Mortgage Loan was initiated in September 1972 with a loan of \$300,000 at 5% interest from Farmer's Home Administration. Additional loans of \$29,000 (October 1972) and \$254,000 (January 1973) were consolidated with the first loan for a total loan of \$583,000 at 5% to be repaid over forty years. These loans mature in 2012. These loans were acquired for the construction and renovation of the wastewater treatment plant. The loan is collateralized by sewer receipts and payments are made from the sewer fund.

Ohio Water Development Authority Loans: The Village has four loans from the Ohio Water Development Authority (OWDA). These loans were for the renovation and improvement of the water and sewer systems of the Village. The Water Treatment Loan was established in 1990 for \$229,342 at 2% interest for twenty-five years and matures in 2015. The Sewer Treatment Loan was established in 1992 for \$898,738 at 2% interest for twenty-five years and matures in 2017. The Wastewater Treatment Expansion Design Loan was approved during 2003 for \$83,895 with 0% interest for expansion to the wastewater treatment plant. The Wastewater Treatment Expansion Loan was approved during 2003 for \$205,670 at 0% interest. The Wastewater Treatment Expansion Loan was not fully disbursed at the end of 2004, and no amortization schedule will be provided until the entire loan has been disbursed. Proceeds of the water fund are used to pay the Water Treatment Loan. The other three OWDA loans are repaid by the sewer fund.

State Route 41/Carr Road Improvement: These monies were originally received in the form of an Issue II grant in the months of October thru December 1995 for the improvement of State Route 41 and Carr Road. The Issue II monies were paid directly to the engineering firm (C.E. Williams and Associates). During 1996, this grant was converted to a loan with the Ohio Public Works Commission. The loan was in the amount of \$126,000 with no interest. The loan is for a period of twenty years with principal payments due January 1st and July 1st. This loan matures in July 2016. This loan is uncollateralized and is repaid through the General Fund.

State Route 41/Carr Road Bond Anticipation Note: A note was acquired in November 1995 in the amount of \$100,000 at 4.4% interest. The purpose of this note was for the construction and engineering costs of the State Route 41/Carr Road project. Another \$100,000 note was issued in 1996, the proceeds were used to retire the original note. The note issued in 1996 was issued at 4.4% interest and was due in 1997. Subsequently the Village issued ten year bonds in the amount of \$110,000. Principal payments are due on December 1st of each year. This note matures in 2007. The note is uncollateralized and is repaid through the General Fund.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

5. DEBT (Continued)

Amortization of the above debt, including interest, follows:

Year ending December 31:	Sewer Mortgage Loan	Water Treatment Loan	Sewer Treatment Loan	OWDA WWTP Expansion Loan	State Route 41 Loan	State Rt. 41 B.A.N.
2005	\$35,050	\$11,747	\$46,033	\$16,779	\$6,300	\$12,077
2006	34,800	11,747	46,033	16,779	6,300	16,568
2007	34,500	11,747	46,033	16,779	6,300	15,787
2008	34,150	11,747	46,033	8,390	6,300	0
2009	33,750	11,747	46,033	0	6,300	0
2010-2014	70,800	58,734	230,165	0	31,500	0
2015-2019	0	0	92,070	0	9,450	0
Thereafter	0	0	0	0	0	0
Total	<u>\$243,050</u>	<u>\$117,469</u>	<u>\$552,400</u>	<u>\$58,727</u>	<u>\$72,450</u>	<u>\$44,432</u>

6. RETIREMENT SYSTEMS

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Village has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

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 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

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

The Pool's financial statements (audited by other auditors) conform to generally accepted accounting principles, and reported the following assets, liabilities, and retained deficit at December 31, 2004 and 2003

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

8. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed in Accordance With *Government Auditing Standards*

Village Council
Village of Jeffersonville
Fayette County
4 North Main Street
Jeffersonville, Ohio 43128

We have audited the financial statements of the Village of Jeffersonville, Fayette County, (the Village) as of and for the year ended December 31, 2004, and have issued our report thereon dated October 25, 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 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-005 and 2004-006.

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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings as item numbers 2004-001 through 2004-004.

Village of Jeffersonville

Fayette County

Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

We noted certain matters which we reported to management of the Village in a separate letter dated October 25, 2006.

This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
October 25, 2006

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Section 5705.10, states that money that is paid into a fund must be used only for the purpose for which a fund has been established. The Enterprise Debt Service Reserve Fund was established to accumulate resources for unexpected repairs to the sewer system and to make payments on the Sewer Mortgage revenue Bonds if necessary. Adjustments were required due to posting of debt payments for three separate water and sewer debt issues. By posting transactions to incorrect funds, the Village increases the risk of expending money for purposes not specifically designated by the funding source. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect the receipts and disbursements of the Village.

The Village Clerk should not post transactions to any fund for activity not related to the purpose for which the fund was established.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Revised Code Section 5705.36 (A)(3) requires obtaining an increased amended certificate from the County Budget Commission if the Village Council intends to appropriate and expend the excess revenue.

During 2004, appropriations exceeded estimated resources in the General Fund by \$166,484 and an increased amended certificate was not obtained.

Ohio Revised Code Section 5705.36 (A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

For 2004, actual receipts were less than estimated receipts in the Water, Sewer and Utility Deposit Funds and the Village did not obtain a reduced amended certificate, even though the appropriations were in excess of the resources available.

The Township Clerk should monitor estimated versus actual revenues throughout the year and amend the estimated resources as necessary. The Village council should then make corresponding adjustments to appropriations.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources.

The appropriations exceeded estimated resources in the General Fund by \$166,484.

The Village Council should closely examine budget balances prior to authorizing to ensure compliance with Revised Code requirements.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
SCHEDULE OF FINDINGS
(Continued)
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-004

Noncompliance Citation

Ohio Rev. Code, Section 733.28, states that the Village Clerk should keep the books of the Village, exhibit accurate statements of all monies received and expended, and property owned by the Village and income derived there from, and all taxes and assessments. Although the Village Clerk did maintain accounting records, the records contained numerous posting errors. As a result, the records maintained by the Clerk were not an accurate reflection of all monies received and expended. The audited 2004 financial statements included 14 audit adjustments and reclassifications.

Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity, 3) increases the likelihood that moneys will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated.

The Village Clerk should exercise due diligence to help ensure the accuracy with which Village accounting records are maintained.

FINDING NUMBER 2004-005

Reportable Condition

The Village Clerk performs all the financial recordkeeping on the Uniform Accounting Network (UAN) System, including receipting, posting and reconciling to the depository. In the event that the Clerk is absent from her job, there is no person assigned to perform her duties. The Village's other personnel must prepare manual receipts and disbursements which are entered onto the system at a later date. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents during the time in which receipts and disbursements are issued and when they are posted to the UAN System. Also, bookkeeping errors occurred without detection in a timely manner nor was an accurate account maintained of the Village's funds.

To strengthen internal accounting controls and increase accuracy of postings, Council should designate another individual to handle the duties of the Clerk in her absence. UAN training should be provided to this designated person. In addition, Council should periodically review the financial records of the Village for accuracy and completeness.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
SCHEDULE OF FINDINGS
(Continued)
DECEMBER 31, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-006

Reportable Condition

Controls over pool membership and concession receipts are essential for the Village management to safeguard Village assets.

The Village did not have adequate control procedures over the operation of the pool and related concessions. We noted the following control procedures related to pool receipts.

- Membership application forms were not signed or dated by the Village employee receiving payment.
- Current policy states that “family” memberships require persons to be residing in the same household. There were several instances where friends, grandparents, married children and other persons living in separate households were permitted to be on the same “family” membership.
- Pool rental agreements were not consistently applied according to existing policy. Current policy states that 50% of the pool rental fee shall be collected at the time of the rental and that portion is not refundable. Policy also sets the fee based upon the number of guests. Per the discretion of the pool manager, fees are not always collected at the signing of the rental agreement. Refunds are inconsistently applied, with some individuals receiving a full refund. Also there is no sign in sheet to determine the number of guests and the correct fee to charge for the rental.
- The sign in policy requires members and guests to sign in on the members’ attendance sign in sheet and for a pool employee to verify the completion of the attendance process. The sign in sheet does not always include the signature of the member or the guest. Additionally, there were some instances where non-members signatures appeared on a member’s sign in sheet on days when the member was not in attendance. There were also instances where the pool employee’s initials were not included on the sign in sheet verifying the attendance procedures were completed. The inconsistencies in the application of the attendance policy could allow for persons to attend the pool without paying the proper fee.

Failure to consistently apply the policies and procedures established for the operation of the swimming pool could allow for errors or irregularities to occur and not be detected within a timely period.

In order to strengthen the internal controls over the operation and management of the swimming pool, the Village Council should periodically review the application of the procedures at the swimming pool to help ensure their consistent application.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	A Finding for Recovery for delinquent income taxes.	Yes	Repaid as of 8/1/05
2003-002	Payment of accumulated sick leave balances upon severance of employment in a number of hours greater than the cap in Village Ordinance 00-06.	Yes	Fully corrected.
2003-003	Lack of adequate control procedures over the operations of the swimming pool and related concessions.	Partially corrected	Reissued as Finding 2004-006.
2003-004	ORC Section 5705.41(D) requires prior certification of available funds from the fiscal officer before money is obligated for expenditure.	Yes	Fully corrected.
2003-005	ORC Section 9.38 requires deposit of monies within 24 hours of collection or a policy allowing deposits within 72 hours of collection if amount is less than \$1,000.	Substantially corrected	Reissued in the Management Letter.
2003-006	ORC Section 733.28 requires the Clerk to maintain accurate financial records of the Village.	No	Reissued as Finding 2004-004.
2003-007	ORC Section 5705.10 states that money paid into a fund must be used for the purpose for which the fund was established.	No	Reissued as Finding 2004-001
2003-008	Failure of Tax commissioner to follow Village Ordinance 90-07 and certify delinquent accounts to the law director for collection.	Yes	Fully corrected.
2003-009	Lack of adequate controls over the posting of financial records to the UAN accounting system in the absence of the Clerk.	No	Reissued as Finding 2004-005
2003-010	Lack of adequate controls over the payroll system including supervisory approval of timesheets the pay date compared to the end of the pay week.	Substantially corrected	Reissued in the Management Letter under timesheet approval.
2003-011	Lack of records to maintain the balance of compensatory time for Village employees.	Yes	Fully corrected.
2003-012	Administrative responsibilities of the Village Council and the Board of Public Affairs.	Yes	Fully corrected.

**VILLAGE OF JEFFERSONVILLE
 FAYETTE COUNTY
 SCHEDULE OF PRIOR AUDIT FINDINGS
 DECEMBER 31, 2004
 (Continued)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-013	Old outstanding reconciling items carried on the Village cash reconciliations.	Yes	Fully corrected.
2003-014	<p>ORC Section 5705.36 requires all amendments to appropriations to be approved by Council.</p> <p>ORC Section 5705.36 requires the Clerk to obtain an increased amended certificate if Council intends to appropriate of expend the excess resources.</p> <p>ORC Section 5705.40 states that appropriation amendments must be approved by Council at the same level as the original appropriations.</p> <p>ORC Section 5705.41(B) provides that no money can be expended unless it has been appropriated.</p> <p>ORC Section 5705.39 states that total appropriations to any fund shall not exceed estimated resources.</p>	<p>Partially corrected</p> <p>No</p> <p>Partially corrected</p> <p>Yes</p> <p>No</p>	<p>Reissued in the Management Letter</p> <p>Reissued as Finding 2003-002</p> <p>Reissued in the Management Letter</p> <p>Fully corrected.</p> <p>Reissued as Finding 2003-003</p>

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY
CORRECTIVE ACTION PLAN
DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Village will pay only the Sewer Mortgage Loan debt from the Enterprise Debt Service Reserve Fund.	12/31/06	Carol Roush, Village Clerk
2004-002	The Clerk will monitor estimated and actual receipts and obtain amended certificates when necessary. She will also advise Council when amended appropriations are required.	12/31/06	Carol Roush, Village Clerk
2004-003	The Clerk will monitor Council's appropriations to help ensure that they do not exceed estimated resources.	12/31/06	Carol Roush, Village Clerk
2004-004	The Clerk will exercise more care when posting transactions to the UAN system.	12/31/06	Carol Roush, Village Clerk
2004-005	The assistant clerk has been scheduled for training on the UAN system to assist with posting in the absence of the Clerk.	12/31/06	Carol Roush, Village Clerk
2004-006	The Clerk will review the suggested items with Council.	12/31/06	Carol Roush, Village Clerk



Mary Taylor, CPA
Auditor of State

VILLAGE OF JEFFERSONVILLE

FAYETTE 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
JANUARY 18, 2007