



**VILLAGE OF JEFFERSON
ASHTABULA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF JEFFERSON
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Jefferson
Ashtabula County
27 East Jefferson Street
Jefferson, Ohio 44047

To the Village Council:

We have audited the accompanying financial statements of the Village of Jefferson, Ashtabula County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, and Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 26, 2000

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**VILLAGE OF JEFFERSON
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$645,497	\$547,680			\$1,193,177
Special Assessments			\$11,444		11,444
Intergovernmental Receipts	147,951	161,932			309,883
Charges for Services	50,382	93,527			143,909
Fines, Licenses, and Permits	8,676	1,073			9,749
Earnings on Investments	41,245	996		\$2,075	44,316
Miscellaneous	20,404	95,186			115,590
Total Cash Receipts	<u>914,155</u>	<u>900,394</u>	<u>11,444</u>	<u>2,075</u>	<u>1,828,068</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	336,001	86,541			422,542
Leisure Time Activities	93,831	166,572			260,403
Community Environment	1,012		6,729		7,741
Basic Utility Services	59,417				59,417
Transportation	59,822	243,939			303,761
General Government	347,896				347,896
Debt Service:					
Principal Payments			20,000		20,000
Interest Payments			71,350		71,350
Capital Outlay	13,705	338,519	7,950		360,174
Total Disbursements	<u>911,684</u>	<u>835,571</u>	<u>106,029</u>		<u>1,853,284</u>
Total Receipts Over/(Under) Disbursements	<u>2,471</u>	<u>64,823</u>	<u>(94,585)</u>	<u>2,075</u>	<u>(25,216)</u>
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes		112,672			112,672
Sale Of Fixed Assets	5,000				5,000
Transfers-In		60,000	71,314		131,314
Transfers-Out	(60,000)	(60,814)			(120,814)
Other Sources	202	7,647			7,849
Other Uses	(29,484)	(7,003)			(36,487)
Total Other Financing Receipts/(Disbursements)	<u>(84,282)</u>	<u>112,502</u>	<u>71,314</u>		<u>99,534</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(81,811)</u>	<u>177,325</u>	<u>(23,271)</u>	<u>2,075</u>	<u>74,318</u>
Fund Cash Balances January 1	<u>200,342</u>	<u>398,099</u>	<u>52,352</u>	<u>29,554</u>	<u>680,347</u>
Fund Cash Balances, December 31	<u>\$118,531</u>	<u>\$575,424</u>	<u>\$29,081</u>	<u>\$31,629</u>	<u>\$754,665</u>
Reserves for Encumbrances, December 31	<u>\$15,521</u>	<u>\$145,219</u>	<u>\$10,285</u>		<u>\$171,025</u>

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

**VILLAGE OF JEFFERSON
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, 1999**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$475,721		\$475,721
Total Operating Cash Receipts	<u>475,721</u>		<u>475,721</u>
Operating Cash Disbursements:			
Personal Services	148,197		148,197
Contractual Services	124,049		124,049
Supplies and Materials	40,896		40,896
Capital Outlay	24,851		24,851
Total Operating Cash Disbursements	<u>337,993</u>		<u>337,993</u>
Operating Income/(Loss)	<u>137,728</u>		<u>137,728</u>
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	16,541	3,450	19,991
Total Non-Operating Cash Receipts	<u>16,541</u>	<u>3,450</u>	<u>19,991</u>
Non-Operating Cash Disbursements:			
Debt Service	148,265		148,265
Other Non-Operating Cash Disbursements	2,738	1,250	3,988
Total Non-Operating Cash Disbursements	<u>151,003</u>	<u>1,250</u>	<u>152,253</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	3,266	2,200	5,466
Transfers-In	148,265		148,265
Transfers-Out	<u>(158,765)</u>		<u>(158,765)</u>
Net Receipts Over/(Under) Disbursements	(7,234)	2,200	(5,034)
Fund Cash Balances, January 1	<u>137,925</u>		<u>137,925</u>
Fund Cash Balances, December 31	<u>\$130,691</u>	<u>\$2,200</u>	<u>\$132,891</u>
Reserve for Encumbrances, December 31	<u>\$33,292</u>		<u>\$33,292</u>

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

**VILLAGE OF JEFFERSON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$597,688	\$495,566			\$1,093,254
Intergovernmental Receipts	125,706	164,041	\$91,818		381,565
Charges for Services	546	72,917			73,463
Fines, Licenses, and Permits	9,137	604			9,741
Earnings on Investments	31,705	166		\$1,545	33,416
Miscellaneous	72,137	156,937	14,811		243,885
Total Cash Receipts	836,919	890,231	106,629	1,545	1,835,324
Cash Disbursements:					
Current:					
Security of Persons and Property	312,930	87,113			400,043
Leisure Time Activities	78,961	159,986			238,947
Community Environment	1,940		13,238		15,178
Transportation	61,600	188,819			250,419
General Government	352,260				352,260
Debt Service:					
Principal Payments			708,442		708,442
Interest Payments			64,435		64,435
Capital Outlay	45,084	286,834	427,392		759,310
Total Disbursements	852,775	722,752	1,213,507		2,789,034
Total Receipts Over/(Under) Disbursements	(15,856)	167,479	(1,106,878)	1,545	(953,710)
Other Financing Receipts/(Disbursements):					
Sale of Bonds or Notes			1,224,638		1,224,638
Sale Of Fixed Assets	7,771				7,771
Transfers-In		25,000	9,518		34,518
Transfers-Out	(25,000)				(25,000)
Other Sources	23	8,681			8,704
Other Uses		(7,810)			(7,810)
Total Other Financing Receipts/(Disbursemen	(17,206)	25,871	1,234,156		1,242,821
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(33,062)	193,350	127,278	1,545	289,111
Fund Cash Balances January 1	233,404	204,749	(74,926)	28,009	391,236
Fund Cash Balances, December 31	\$200,342	\$398,099	\$52,352	\$29,554	\$680,347
Reserves for Encumbrances, December 31	\$6,069	\$72,796	\$6,698		\$85,563

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

**VILLAGE OF JEFFERSON
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$451,481
Total Operating Cash Receipts	451,481
Operating Cash Disbursements:	
Personal Services	155,096
Contractual Services	133,550
Supplies and Materials	129,780
Capital Outlay	27,450
Total Operating Cash Disbursements	445,876
Operating Income/(Loss)	5,605
Non-Operating Cash Receipts:	
Other Non-Operating Receipts	29,610
Total Non-Operating Cash Receipts	29,610
Non-Operating Cash Disbursements:	
Debt Service	153,789
Other Non-Operating Cash Disbursements	1,493
Total Non-Operating Cash Disbursements	155,282
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(120,067)
Transfers-In	228,789
Transfers-Out	(238,307)
Net Receipts Over/(Under) Disbursements	(129,585)
Fund Cash Balances, January 1	267,509
Fund Cash Balances, December 31	\$137,924
Reserve for Encumbrances, December 31	\$9,421

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

**VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jefferson, Ashtabula County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), fire and police 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 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

Certificates of deposit and Money Markets are valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Special Street Repair Fund - This fund receives real estate tax money for maintaining and repairing of Villages streets.

VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Recreation Facility Note Fund - This fund received proceeds of notes. The proceeds were used for the Recreation Center of the Village.

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:

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

Sewer Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Jones Trust Fund - Receives proceeds from interest

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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 required by Ohio law.

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Deposits:		
Demand deposits	\$ 294,818	\$ 255,140
Certificate of Deposit	<u>402,213</u>	<u>381,904</u>
Total deposits	<u>697,031</u>	<u>637,044</u>
Investments:		
Money Market - Repo Account	<u>190,525</u>	<u>181,227</u>
Total deposits and investments	<u><u>\$ 887,556</u></u>	<u><u>\$ 818,271</u></u>

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

Investments: Repurchase Agreements are held in book-entry form by the Federal Reserve, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities.

VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 952,800	\$ 918,953	\$ (33,847)
Special Revenue	847,174	1,080,713	233,539
Capital Projects	105,999	82,778	(23,221)
Enterprise	555,877	640,527	84,650
Fiduciary	1,000	5,525	4,525
Total	\$ 2,462,850	\$ 2,728,496	\$ 265,646

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,168,977	\$ 1,016,689	\$ 152,288
Special Revenue	1,152,757	1,048,607	104,150
Capital Projects	297,668	116,314	181,354
Enterprise	796,404	681,053	115,351
Fiduciary	2,000	1,250	750
Total	\$ 3,417,806	\$ 2,863,913	\$ 553,893

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 880,199	\$ 844,713	\$ (35,486)
Special Revenue	881,035	923,912	42,877
Capital Projects	1,401,807	1,340,785	(61,022)
Enterprise	540,000	709,880	169,880
Fiduciary	1,000	1,545	545
Total	\$ 3,704,041	\$ 3,820,835	\$ 116,794

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,010,185	\$ 883,844	\$ 126,341
Special Revenue	825,859	803,352	22,507
Capital Projects	1,986,000	1,220,205	765,795
Enterprise	821,117	848,886	(27,769)
Fiduciary	0	0	0
Total	\$ 4,643,161	\$ 3,756,287	\$ 886,874

**VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

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.

Public utilities are also taxed on personal and real property located within the Village.

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. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 1,838,354	4.04-4.56%
Recreation Facility Bonds	1,280,000	5.40-7.90%
Capital Lease - Fire Truck	112,672	5.00%
Total	\$ 3,231,026	

The Ohio Water Development Authority (OWDA) loans relates to sewer plant improvements. The OWDA has approved up to \$2,082,417 in Loans to the Village for these projects. The loans will be repaid in semiannual installments of \$79,657 including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Recreation Facility Bonds relate to renovation of a community center.

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

Year ending December 31:	OWDA Loan	Recreation Facility Bonds	Capital Lease Fire Truck
2000	\$ 150,554	\$ 94,770	\$ 30,065
2001	150,544	93,120	30,065
2002	150,544	91,470	30,065
2003	150,544	94,820	30,065
2004	150,544	92,840	
Subsequent	1,865,176	1,881,015	
Total	\$ 2,617,906	\$ 2,348,035	\$ 120,260

VILLAGE OF JEFFERSON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Jefferson
Ashtabula County
27 East Jefferson Street
Jefferson, Ohio 44047

To the Village Council:

We have audited the accompanying financial statements of the Village of Jefferson, Ashtabula County, Ohio (the Village), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of finding as items, 1999-11104-001 through 1999-11104-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 26, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 judgement, 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 1999-11104-004 through 1999-11104-008.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 26, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 26, 2000

**VILLAGE OF JEFFERSON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

Finding Number 1999-41104-001	
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Ohio Revised Code § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository within 24 hours of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The policy must be adopted by the Village's legislative authority, and include provisions and procedures to safeguard the money during the intervening period.

We tested 60 days of transactions of the Village's sewer and trash receipts, and approximately half of those tested were not deposited into the Village's depository in a timely manner or a policy adopted, contrary to the above statute. When the Utilities Department revenue collections were sporadic at the beginning of the billing cycle, the Utilities Department maintained collections in a locked drawer for sometimes as long as a week before a deposit was made.

Finding Number 1998-41104-002	
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Village of Jefferson, **Codified Ordinance No 2044 § 1030.18**, establishes the rates or charges to be collected from all persons having premises connected to the sewer service system within the territorial limits of the Village, and further states said charges are to be paid monthly.

A sample of 60 premises that meet the criteria of the above ordinance were tested and it was found that 3 premises did not receive a bill and 11 were billed incorrectly. Also, the Village is on a bi-monthly billing system instead of a monthly system, as required in the above ordinance .

The Village has sent updated bills, with delinquencies attached for amounts due, to the premises found to have incorrect information. Furthermore, the Village is to review all billings for accuracy and completeness.

Finding Number 1998-41104-003	
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The Village of Jefferson passed, on July 2, 1999, an ordinance amending **Section 1060.13** which states that every individual having premises within the territorial limits of the Village will be charged for refuse pickup, to be collected monthly.

We selected 60 residents of the Village and noted that 3 individuals were not being charged for the service of refuse pickup in accordance to the above ordinance. The Village officials were made aware of this and reviewed the balance of the accounts and found an additional 47 amounts that were not billed. The Village has begun the process of securing payment from the non-paying residents. Furthermore, Village officials were instructed to review all Village residents that have refuse pickup, and develop a system to account for proper payment from the residents and cross-check this information with the trash hauler contracted by the Village to provide these services.

**VILLAGE OF JEFFERSON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

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

Finding Number 1998-41104-004	
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The Village had no formal policy detailing the operations of billing, collection and receipting functions of the Village's Utilities Department. The Ohio Revised Code, Chapter 743 (Water); Chapter 729 (Sewer); and also the Village Officer's Handbook set the standards that govern these operations.

To ensure more effective and efficient controls over the Village Utilities Department's billing and collection process, we recommend Village Council adopt a formal policy governing the procedures over the following:

- 1- Water and sewer billings and collections.
- 2- Adjustments to billings.
- 3- Delinquent accounts.
- 4- Shut-offs.
- 5- Partial Payments.
- 6- Bulk water sales.
- 7- Free water.

Finding Number 1998-41104-005	
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The Administrative Assistant overseeing the Utility Department ultimately collected all revenue, made all deposits to the bank, and posted all payments to the ledgers, without any supervisory review of these procedures being noted.

To enhance control over utilities collections, different Village employees should perform the functions of revenue collection, posting to the ledger, and depositing to the bank. If segregation of duties is not possible given the small size of the Village's staff, then Council should perform monthly monitoring of the financial information of the utilities department, including monthly revenue, monthly expenses, adjustments made to individual accounts, and information regarding delinquent accounts. The information should be detailed enough to enable Council to make informed decisions regarding the operations of the Utilities Department. Council should review whether collections are timely, are meeting budgetary projections, and are sufficient to cover costs, including current or future capital expenditures.

Finding Number 1998-41104-006	
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The Administrative Assistant overseeing the Utility Department made all account adjustments and adjustments to standing data without authorization of the Village Administrator. Village Council and/or the Village Administrator should approve all adjustments, including leaks, swimming pool fills, billing errors, and credits made to accounts. While it may not be administratively feasible to give approval prior to the needed action, these adjustments should be documented and reviewed on a monthly basis to determine the accuracy and validity.

Periodic monitoring of account adjustments can help to deter unauthorized adjustments to utility accounts. In addition, any account adjustment should be supported by documentation on the cause or reason for said adjustment. Management should monitor utility account transactions and the method by which adjustments are documented and note their approval/disapproval of the adjustment.

**VILLAGE OF JEFFERSON
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 1998-41104-007	
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The Administrative Assistant of the Utility Department never performed a reconciliation of utility collections to amounts posted to the ledger and deposits to the bank. This could result in utilities collections being diverted without detection.

The Village should perform a reconciliation (on a daily basis), of utilities revenues collected, utilities payments posted to the ledger, and utilities collections deposited to the bank, in order to ensure they are all in agreement. We further recommend the Village to reconcile on a bi-monthly basis (the Village's billing cycle), all utilities customers billings to payments received, in order to ensure all billings are collected. Any discrepancies discovered based on those reconciliations should be reported to Village Council on a regular basis, and follow up action taken for collection. Village Council or designee should receive copies of these reconciliations and approve them on a monthly basis.

Finding Number 1998-41104-008	
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A reconciliation in the Utility Department of the pre-billing report with a consumption report was not being performed. The consumption report (disk) is submitted to the Utility Department by the company hired to perform the water collections for the Village and the Village is in charge of the sewer collections, which are based on the water consumption report.

Failure to perform a comparison of the consumption report and the pre-billing report could lead to sewer charges either not being accurate or not being submitted to customers that are due them.

Before the bills are sent out, the Department should perform a reconciliation of the pre-billing report with the consumption report in order to ensure that everyone that is receiving the service was being charged for the service and that they were being billed correctly.



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VILLAGE OF JEFFERSON

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 14, 2000**