



**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Port Jefferson
Shelby County
100 Spring Street
P.O. Box 189
Port Jefferson, OH 45360

To the Members of Council:

We have audited the accompanying financial statements of the Village of Port Jefferson, Shelby County, (the Village) as of and for the year ended December 31, 2000. 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.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidence to support the receipts recorded as "Fines, Licenses and Permits" in the General Fund. We were not able to audit the receipts, or to satisfy ourselves regarding the validity of the receipts through other auditing procedures. This amount represents 4.4 percent of the receipts recorded in the General Fund.

The Mayor's Court Agency Fund was omitted from the financial statements. This is a departure in the basis of accounting as described in Note 1. The effects on the financial statements cannot be determined at this time.

In our opinion, except for the omission of the Mayor's Court Agency Fund, and for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the receipts recorded as "Fines, Licenses and Permits" in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village, as of December 31, 2000, and its combined cash receipts and disbursements, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2001, 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.

We performed our audit to form an opinion on the general-purpose financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, 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.

Jim Petro
Auditor of State

July 19, 2001

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**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, 2000**

	<u>Governmental Fund Types</u>			<u>Fiduciary</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable (Memorandum Trust)</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$9,792				\$9,792
Special Assessments		\$4,781			4,781
Intergovernmental Receipts	26,596	9,402	\$1,144,058		1,180,056
Fines, Licenses, and Permits	1,794	72			1,866
Miscellaneous	2,607	148	88		2,843
	<u>40,789</u>	<u>14,403</u>	<u>1,144,146</u>		<u>1,199,338</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	14,891	4,554			19,445
Public Health Services	529				529
Leisure Time Activities				\$231	231
Community Environment	152				152
Basic Utility Services	931				931
Transportation	10,855	5,647			16,502
General Government	20,242	228			20,470
Debt Service:					
Principal & Interest Payments	1,692	2,205			3,897
Capital Outlay			927,394		927,394
	<u>49,292</u>	<u>12,634</u>	<u>927,394</u>	<u>231</u>	<u>989,551</u>
Total Receipts Over/(Under) Disbursement:	<u>(8,503)</u>	<u>1,769</u>	<u>216,752</u>	<u>(231)</u>	<u>209,787</u>
Fund Cash Balances January 1	<u>22,304</u>	<u>4,300</u>	<u>1</u>	<u>433</u>	<u>27,038</u>
Fund Cash Balances, December 31	<u>\$13,801</u>	<u>\$6,069</u>	<u>\$216,753</u>	<u>\$202</u>	<u>\$236,825</u>

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

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**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Port Jefferson, Shelby 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 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

The Village maintains an interest bearing and a non-interest bearing checking account which are valued 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 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.

Street Light Fund - This fund receives assessments from property owners who benefit from lighting.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(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:

Ohio Water Development Authority (OWDA) Sewer Project Fund - This fund received the proceeds of an OWDA Loan and Grant. The proceeds are being used to construct a sewer system.

Community Development Block Grant (CDBG) Fund - This fund is used to account for the CDBG receipts which are being used to construct a sewer system.

4. Fiduciary Funds (Trust 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. The Village had the following significant fiduciary funds:

Flowing Well Fund (Expendable Trust Fund) - This fund receives donations for the maintenance of the flowing well within the village.

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, account 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2000 budgetary activity appears in Note 3.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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:

	<u>2000</u>
Demand deposits	\$ 236,825

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,421	\$40,789	\$1,368
Special Revenue	13,200	14,403	1,203
Capital Projects	<u>0</u>	<u>1,144,146</u>	<u>1,144,146</u>
Total	<u>\$52,621</u>	<u>\$1,199,338</u>	<u>\$1,146,717</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,326	\$49,292	\$13,034
Special Revenue	17,079	12,634	4,445
Capital Projects	0	927,394	(927,394)
Expendable Trust	<u>0</u>	<u>231</u>	<u>(231)</u>
Total	<u>\$79,405</u>	<u>\$989,551</u>	<u>(\$910,146)</u>

Revenue was not estimated for the Ohio Public Works Commission Fund (OPWC), the Community Development Block Grant (CDBG), and the Ohio Water Development Authority Fund (OWDA), although revenues were received and expenditures made in these funds.

Various funds did not have appropriations, which resulted in expenditures that exceeded the appropriations. In addition, expenditures exceeded appropriations for various line items throughout the year.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(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, 2000 was as follows:

	Principal	Interest Rate
General Purpose Loan # 1	\$1,910	6.750%
General Purpose Loan # 2	<u>5,739</u>	6.125%
Total	\$7,649	

General Purpose Loan # 1 was issued in October 1996, for \$9,000 to pay for a 1987 Chevrolet Dump Truck. The loan is repaid in semi-annual installments of \$1,075, with the last payment due October 2001. General Purpose Loan # 2 was issued in November 1999, for \$7,000 to pay for a Police Cruiser. The loan is to be repaid in 5 semi-annual installments of \$821.05 each and one irregular payment of \$3,865.30 due October 2002.

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

Year Ending December 31	General Purpose Loans
2001	\$3,793
2002	<u>4,686</u>
Total	<u>\$8,479</u>

Through December 31, 2000, a total of \$774,829, has been received from the Ohio Water Development Authority (OWDA) Loan program for the Village Sewer System Construction. The contract interest rate is 4.89%. OWDA will not establish a repayment schedule for this loan until the project is completed.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

6. RETIREMENT SYSTEMS

Village officials and 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 post-retirement 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. Members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries for January through June of 2000 and an amount equal to 8.13% of participants' gross salaries for July through December 2000. The Village has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- General liability
- Property Coverage
- Commercial Auto Coverage
- Law Enforcement Liability
- Public Officials Liability

8. MAYOR'S COURT

The Mayor's Court cash journal, bank statements, docket and issued citations have been confiscated by the Federal Bureau of Investigation. We have been unable to make the required remittances to the state treasury and the Village general fund due to the records being unavailable. The Mayor's Court is continuing to hear limited traffic cases and will update the confiscated records, and make the appropriate distributions, upon the return of the records.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
(Direct)				
Water and Waste Disposal Systems for Rural Communities		10.760		
Rural Development Loan			\$406,829	\$406,829
Rural Development Grant			153,000	0
Total U.S. Department of Agriculture			559,829	406,829
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grant	C-W-98-379-1	14.228	485,000	421,436
Total Community Development Block Grant			485,000	421,436
Total U.S. Department of Housing and Urban Development			485,000	421,436
Total Federal Programs			<u>\$1,044,829</u>	<u>\$828,265</u>

This schedule of federal awards expenditures is a summary of the activity of the Village's federal awards programs. The schedule has been prepared on the cash basis of accounting.



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

Village of Port Jefferson
Shelby County
100 Spring Street
P.O. Box 189
Port Jefferson, OH 45360

To the Members of Council:

We have audited the accompanying financial statements of the Village of Port Jefferson, Shelby County, (the Village), as of and for the year ended December 31, 2000, and have issued our report thereon dated July 19, 2001, wherein we noted that we were unable to obtain sufficient evidence to support the receipts recorded as "Fines, Licenses and Permits" in the General Fund and the Mayor's Court Agency Fund was omitted from the financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, except for the receipts recorded as "Fines, Licenses and Permits" in the General Fund, 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 findings as items 2000-30375-001 through 2000-30375-003, and 2000-30375-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 19, 2001.

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 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 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 2000-30375-004 and 2000-30375-006.

**Internal Control Over Financial Reporting
(Continued)**

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 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 the reportable conditions described above are not 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 July 19, 2001.

This report is intended for the information and use of the management, Members of Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 19, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Village of Port Jefferson
Shelby County
100 Spring Street
P.O. Box 189
Port Jefferson, OH 45360

To the Members of Council:

Compliance

We have audited the compliance of the Village of Port Jefferson, Shelby County, (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is disclosed in the accompanying schedule of findings as item 2000-30375-005.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Internal Control Over Compliance
(Continued)**

We noted a certain matter involving the internal control over compliance and its operation that we consider to be 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 compliance that, in our judgment, could adversely affect the Village's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-30375-006.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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 do not believe the reportable condition described above is a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 19, 2001.

This report is intended for the information and use of the management, Members of Council, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

July 19, 2001

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Water & Waste Disposal System for Rural Communities CFDA #10.760 Community Development Block Grant CFDA# 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	2000-30375-001	Noncompliance
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Ohio Rev. Code Section 149.351(A), states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.

The Members of Council approved, fifteen expenditures for a total dollar amount of \$6,894.03, that did not have original, detailed invoices available for review to support the expenditures. This amount was .8 percent of total expenditures. Additionally 9.4 percent of the checks could not be located.

All expenditures should be supported by original invoices, and all documents of the Village should be retained until the records commission and the Auditor of State approves disposal.

Finding Number	2000-30375-002	Noncompliance
-----------------------	-----------------------	----------------------

Ohio Rev. Code Section 5705.36, 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. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

Revenue was not estimated for the following funds although revenue was received and expenditures made from these funds:

	Revenues	Expenditures
Ohio Public Works Commission (OPWC) Fund	\$ 86,217	\$ 86,217
Community Development Block Grant (CDBG) Fund	485,000	421,346
Ohio Water Development Authority (OWDA) Fund	<u>572,841</u>	<u>419,741</u>
Total Capital Projects	<u>\$1,144,058</u>	<u>\$ 927,934</u>

The Village should obtain an amended certificate when there is a new source of revenue that will be appropriated, or when a deficit between budget revenues and actual revenues in available resources fall below the current level of appropriation.

Finding Number	2000-30375-003	Noncompliance
-----------------------	-----------------------	----------------------

Ohio Rev. Code Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Appropriations were not made for the following funds, although expenditures were made:

	Appropriations	Expenditures	Variance
Ohio Public Works Commission (OPWC) Fund	\$ 0	\$ 86,217	\$ 86,217
Community Development Block Grant (CDBG) Fund	0	421,346	421,346
Ohio Water Development Authority (OWDA) Fund	<u>0</u>	<u>419,741</u>	<u>419,741</u>
Total Capital Projects	<u>\$ 0</u>	<u>\$927,934</u>	<u>\$927,934</u>

As a result, expenditures exceeded the appropriations in these funds. Also, expenditures exceeded appropriations in various line items throughout the year.

Budgeted appropriations versus actual expenditures should be monitored, and if actual expenditures are nearing the appropriations limit in a particular line item account, the Members of Council should, as long as total appropriations do not exceed estimated resources, pass supplemental appropriations to increase the line item account appropriation, or cease expending money from that line item account.

Finding Number	2000-30375-004	Noncompliance
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Voucher Expenditures

Although invoices or other supporting documentation was attached to most of the vouchers, supporting documentation could not be found for five percent of the expenditures. In addition, the voucher jacket for each expenditure was not always complete in regards to the fund and account code charged. The lack of such information resulted in \$3,897, or 30 percent of the expenditures of the Special Revenue Fund Type to be reclassified. In order to substantiate the amount and purpose of the expenditure, original, detailed, and complete source documentation should be provided for each expenditure.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2000-30375-005	Noncompliance
CFDA Title and Number		All Federal Programs and CFDA Numbers
Federal Award Number / Year		All Federal Programs and CFDA Numbers
Federal Agency		All Federal Programs and CFDA Numbers
Pass-Through Agency		All Federal Programs and CFDA Numbers

Prior Certification of Commitments

Ohio Rev. Code Section 5705.41 (D) states that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached thereto, a certificate of the fiscal officer 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 encumbrance.

An exception to this basic requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant (“then and now”). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

The Village did not obtain the required certification prior to the commitment and expenditure for 100 percent of the expenditure transactions. In addition, there was no evidence of certification that funds were available at the time of making the obligation and at the time of payment (“then and now”), nor the subsequent approval within thirty days from the Members of Council for all amounts over one thousand dollars.

Also, a system of encumbering was not in place. This prohibits the fiscal officer’s ability to certify that the amount was in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, since the amount of the available unencumbered balances is unknown for any given line item at any point in time.

The lack of proper certifications could result in the Village obligating funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services for the Village to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Also, a system of encumbering should be placed in operation to allow the fiscal officer to track the amount of outstanding encumbrances and available unencumbered balances, thus allowing for accurate certifications.

The Village should establish procedures for obtaining certification, prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above, for all expenditures.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	2000-03075-006	Reportable Condition
CFDA Title and Number		Community Development Block Grant (#14.228)
Federal Award Number / Year		C-W-98-379-1
Federal Agency		US Dept of Housing and Urban Development
Pass-Through Agency		Ohio Department of Development

Village Ledgers

Ohio Admin. Code Section 117-2-02(D)(2), states that each village should maintain a receipts ledger which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on the ledger.

Ohio Admin. Code Section 117-2-02(D)(3), states that each village should maintain an appropriations ledger which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required to be entered in the appropriate columns.

Receipts had been posted to accounts within the receipts ledger that did not reflect the purpose of the revenue. In addition, some revenue receipts, either in whole or in part, were not recorded in the cash journal. Expenditures had been posted to accounts within the appropriations ledger that did not reflect the purpose of the expenditure. In addition, some expenditures, either in whole or in part, were not recorded in the appropriations ledger.

A portion of the Community Development Block Grant (CDBG) fund activity had not been recorded within receipt and appropriation ledgers. This resulted in an understatement of federal revenue and expenditures on the annual financial report.

Without the proper use of the accounting records and accounts prescribed by the Ohio Administrative Code, the financial statements could be materially misstated or misleading. Errors or irregularities could occur without timely detection.

The accounting records should be maintained in accordance with Ohio Admin. Code Section 117-2-02, as described above to reduce the occurrence of errors, and to present accurate financial statements.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-30375-001	Ohio Rev. Code 149.351(A)	No	See 2000-30375-001
1999-30375-002	Ohio Rev. Code 5705.41(D)	No	See 2000-30375-004 and 007
1999-30375-003	Ohio Rev. Code 5705.36	No	See 2000-30375-002
1999-30375-004	Ohio Rev. Code 5705.41(B)	No	See 2000-30375-003
1999-30375-005	Ohio Admin. Code Sec. 117-5-10	No	See 2000-30375-006 and 008
1999-30375-006	Voucher Expenditures	No	See 2000-30375-005



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OFFICE OF THE AUDITOR

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VILLAGE OF PORT JEFFERSON

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 21, 2001**