

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO**

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

Village Council
Village of Jefferson
27 East Jefferson Street
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Village of Jefferson, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2007 through December 31, 2007. 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.

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 Jefferson is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 3, 2008

This Page is Intentionally Left Blank.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2007**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Accountants' Report	1-2
Management's Discussion and Analysis	3-9
Financial Statements for the Year Ended December 31, 2007:	
Statement of Net Assets - Cash Basis	10
Statement of Activities - Cash Basis	11
Statement of Cash Assets and Fund Balances - Governmental Funds	12
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Governmental Funds	13
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual - Budget Basis -	
General Fund	14
Street Lighting Fund	15
Safety Services Fund	16
Capital Improvement Special Revenue Fund	17
Statement of Fund Net Assets - Cash Basis - Proprietary Funds	18
Statement of Receipts, Disbursements, and Changes in Fund Net Assets - Cash Basis - Proprietary Funds	19
Statement of Net Assets - Cash Basis - Fiduciary Funds	20
Statement of Changes in Net Assets - Cash Basis - Fiduciary Funds	21
Notes to the Financial Statements	22-48
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>	49-50
Schedule of Findings and Responses	51-52
Schedule of Prior Audit Findings and Recommendations	53

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

To the Members of the Village Council
Village of Jefferson
Ashtabula County, Ohio

The Honorable Mary Taylor
Auditor of State
State of Ohio

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Jefferson, Ashtabula County, Ohio, (the Village) as of and for the year ended December 31, 2007, which collective comprise the Village's basic financial statements. 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 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 discussed in Note 2, the Village has prepared these financial statements and notes using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Jefferson, Ashtabula County, Ohio, as of December 31, 2007, and the respective changes in financial position - cash basis, and the respective budgetary comparison for the General Fund, Street Lighting Fund, Safety Services Fund and the Capital Improvement Fund, therefore for the year then ended in conformity with the basis of accounting described in Note 2.

For the year ended December 31, 2007 the Village revised its financial statements presentation comparable to the requirements of Government Accounting Standards No. 34, *Basic Financial Statements and Managements Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008, on our consideration of the Village of Jefferson, Ohio's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Government Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.


James G. Zupka, CPA, Inc.
Certified Public Accountants

September 22, 2008

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The discussion and analysis of the Village of Jefferson's (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2007, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities decreased \$260,785, or 25 percent, a significant change from the prior year. This was primarily due to an increase in street project expenses.
- The Village's general receipts are primarily property and municipal taxes. These receipts represent 69 percent of total cash received for governmental activities.
- The Village's business-type activities are refuse and sewer improvement and treatment. Net assets increased by \$45,248, or 40 percent. The Village's total receipts for business-type activities increased by \$300,288 due to an increase in charges for services and receipt of OWDA loan proceeds.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

The statement of net assets and statement of activities for 2007 reflect how the Village did financially within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function and business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, these changes are one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, consideration should be given to other nonfinancial factors as well, such as the Village's tax base, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources, such as property and real estate taxes.

In the statement of net assets and the statement of activities, the Village's financial statements are divided into two types of activities.

- *Governmental Activities* - Most of the Village's basic services are reported here, including Police, Fire, EMS, streets, and parks. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.
- *Business-type Activities* - The Village has three business-type activities: sewer improvement, refuse collection, and waste water treatment. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds, not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Governmental Funds - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds for 2007 are the General Fund, the Street Lighting Fund, the Safety Services Fund, and the Capital Improvement Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the Village reports on the cash basis.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reporting as an enterprise fund. The Village has three major enterprise funds, which are the Sewer Improvement Fund, the Waste Water Treatment Fund, and the Refuse Fund.

The Government as a Whole

Table 1 provides a summary of the Village's net assets for 2007 on the cash basis.

Table 1 - Net Assets			
	Governmental Activities	Business- Type Activities	Total
<u>Assets</u>			
Cash	\$ 780,618	\$ 157,206	\$ 937,824
Total Assets	<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	\$ 75,793	\$ 0	\$ 75,793
Other Purposes	484,323	0	484,323
Debt Service	24,605	0	24,605
Unrestricted	<u>195,897</u>	<u>157,206</u>	<u>353,103</u>
Total Net Assets	<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>

As this is the first year the Village is reporting under this method, there is no comparison to 2006.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Table 2 reflects the changes in net assets in 2007.

Table 2 - Change in Net Assets			
	Governmental Activities	Business- Type Activities	Total
Receipts			
Program Receipts:			
Charges for Services and Sales	\$ 473,124	\$ 745,978	\$ 1,219,102
Operating Grants and Contributions	22,467	0	22,467
Capital Grants and Contributions	638,913	0	638,913
Total Program Receipts	<u>1,134,504</u>	<u>745,978</u>	<u>1,880,482</u>
General Receipts:			
Property and Other Local Taxes	1,843,314	32,536	1,875,850
Grants and Entitlements, not Restricted	274,743	0	274,743
Proceeds from Loans/Notes	270,000	225,495	495,495
Sale of Capital Assets	21,500	0	21,500
Earnings on Investments	49,643	0	49,643
Miscellaneous	16,643	0	16,643
Total General Receipts	<u>2,475,843</u>	<u>258,031</u>	<u>2,733,874</u>
Total Receipts	<u>3,610,347</u>	<u>1,004,009</u>	<u>4,614,356</u>
Disbursements			
Security of Persons and Property	571,298	0	571,298
Community Environment	17,775	0	17,775
Leisure Time Activities	231,382	0	231,382
Basic Utility Services	512,195	0	512,195
General Government	546,931	0	546,931
Transportation	1,605,084	0	1,605,084
Capital Outlay	68,940	0	68,940
Debt Service:			
Principal Retirement	207,498	0	207,498
Interest and Fiscal Charges	72,949	0	72,949
Sewer	0	522,412	522,412
Refuse	0	116,723	116,723
Waste Water Treatment	0	356,706	356,706
Total Disbursements	<u>3,834,052</u>	<u>995,841</u>	<u>4,829,893</u>
Excess (Deficiency) of Receipts over Disbursements before Transfers	(223,705)	8,168	(215,537)
Transfers	(37,080)	37,080	0
Increase (Decrease) in Net Assets	<u>(260,785)</u>	<u>45,248</u>	<u>(215,537)</u>
Net Assets at January 1, as Restated	<u>1,041,403</u>	<u>111,958</u>	<u>1,153,361</u>
Net Assets at December 31	<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

As this is the first year the Village is reporting under this method, there is no comparison to 2006.

Program receipts represent 41 percent of total receipts for 2007. They are primarily comprised of water, refuse, and waste water treatment fees and grants. Intergovernmental receipts such as motor vehicle license fees, gas tax money, license and permits, and charges to local governments for fire and EMS services are included.

General receipts represent 59 percent of the Village's total receipts for 2007. Property and other local taxes represent 69 percent of the general receipts. Grants, entitlements, and proceeds from loans make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Village and the support services provided for other Village activities. These include the costs of Council, Mayor, Village Administrator, Solicitor, Clerk, and Community Environment department, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the parks; Basic Utility Services are costs associated with utilities in the General Fund, and Transportation is the cost of maintaining roads.

Governmental Activities

The first column of the Statement of Activities lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Transportation, Security of Persons and Property, and General Government, which account for 42, 15, and 14 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service, and for grants received by the Village that must be used to provide a specific service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of service and the net cost is presented in Table 3.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

Table 3 - Comparison of Total Cost and Net Cost of Services

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Security of Persons and Property	\$ 571,298	\$ 460,602
Community Environment	17,775	14,660
Leisure Time Activities	231,382	62,655
Basic Utility Services	512,195	425,480
Transportation	1,605,084	1,028,976
General Government	546,931	357,788
Debt Service - Principal	207,498	207,498
Debt Service - Interest	72,949	72,949
Capital Outlay	<u>68,940</u>	<u>68,940</u>
Total Expenses	<u>\$ 3,834,052</u>	<u>\$ 2,699,548</u>

The dependence upon property taxes is apparent as over 70 percent of governmental activities are supported through these general receipts.

Business-type Activities

The sewer, waste water operations, and refuse collection of the Village are relatively small and routinely report receipts and cash disbursements that are relatively equal, except for waste water, which had a surplus of approximately \$52,000 for 2007. The sewer infrastructure is beginning to age and the Village has begun major repairs and the related funding requirements. We have received funding from the OWDA and OPWC to finance capital improvements.

The Village's Funds

Total governmental funds had receipts of \$3,610,347 for 2007 (excluding transfers and advances) and disbursements of \$3,834,052 for 2007. The most significant change from the prior year is a large increase in Transportation and Basic Utility Service Projects.

General Fund receipts were not less than disbursements indicating the General Fund is in a surplus in its spending situation before transfers and advances out.

Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

During 2007, the Village made amendments to its appropriation budget and receipts budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to increased interest received and tax collections. The difference between final budgeted receipts and actual receipts was not significant after Council certified to amend resources.

Final budgeted disbursements for 2007 were \$900,323. Actual disbursements for 2007 were \$812,143. The Village kept spending less than budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt Administration

At December 31, 2007, the Village had \$1,241,417 in loans with the Ohio Water Development Authority, with \$103,861 due within one year for improvements to water and sewer utilities. The Village had \$81,352 in loans with the Ohio Public Works Commission, with \$25,000 due within one year for improvements to water and sewer utilities. The Village had General Obligation Bonds in the amount of \$1,035,000 with \$40,000 due in one year for improvements to the Village recreation facility. These bonds are paid from governmental activities and business-type activities. See Note 13 to the financial statements for more detail.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases, shrinking funding. The Village relies heavily on local taxes and is currently trying to increase the tax revenue to help cover general expenses. The Village recently borrowed to cover the cost of paving, purchase of equipment, other general projects. The local industries have increased over the last five years and we predict that the increase will stay steady, if not grow even more.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Patricia Fisher, Treasurer, Village of Jefferson, 27 East Jefferson Street, Jefferson, Ohio 44047.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Equity in Pooled Cash and Cash Equivalents	\$ 780,618	\$ 157,206	\$ 937,824
Total Assets	<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	\$ 75,793	\$ 0	\$ 75,793
Debt Service	24,605	0	24,605
Other Purposes	484,323	0	484,323
Unrestricted	<u>195,897</u>	<u>157,206</u>	<u>353,103</u>
Total Net Assets	<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 546,931	\$ 189,143	\$ 0	\$ 0	\$ (357,788)	\$ 0	\$ (357,788)
Security of Persons and Property	571,298	110,696	0	0	(460,602)	0	(460,602)
Leisure Time Activities	231,382	161,487	7,240	0	(62,655)	0	(62,655)
Community Environment	17,775	3,115	0	0	(14,660)	0	(14,660)
Basic Utility Services	512,195	0	15,227	71,488	(425,480)	0	(425,480)
Transportation	1,605,084	8,683	0	567,425	(1,028,976)	0	(1,028,976)
Capital Outlay	68,940	0	0	0	(68,940)	0	(68,940)
Debt Service:							
Principal	207,498	0	0	0	(207,498)	0	(207,498)
Interest and Fiscal Charges	72,949	0	0	0	(72,949)	0	(72,949)
Total Governmental Activities	<u>3,834,052</u>	<u>473,124</u>	<u>22,467</u>	<u>638,913</u>	<u>(2,699,548)</u>	<u>0</u>	<u>(2,699,548)</u>
Business-type Activities							
Sewer Improvement	522,412	280,081	0	0	0	(242,331)	(242,331)
Refuse	116,723	106,703	0	0	0	(10,020)	(10,020)
Waste Water Treatment	356,706	359,194	0	0	0	2,488	2,488
Total Business-type Activities	<u>995,841</u>	<u>745,978</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(249,863)</u>	<u>(249,863)</u>
Total Primary Government	<u>\$ 4,829,893</u>	<u>\$ 1,219,102</u>	<u>\$ 22,467</u>	<u>\$ 638,913</u>	<u>(2,699,548)</u>	<u>(249,863)</u>	<u>(2,949,411)</u>
General Receipts							
Property and Other Local Taxes					1,843,314	32,536	1,875,850
Grants and Entitlements Not Restricted to Special Programs					274,743	0	274,743
Proceeds from Loans					0	225,495	225,495
Proceeds from Notes					270,000	0	270,000
Sale of Capital Assets					21,500	0	21,500
Earnings on Investments					49,643	0	49,643
Miscellaneous					16,643	0	16,643
Total General Receipts					<u>2,475,843</u>	<u>258,031</u>	<u>2,733,874</u>
Transfers					(37,080)	37,080	0
Total General Receipts and Transfers					<u>2,438,763</u>	<u>295,111</u>	<u>2,733,874</u>
Change in Net Assets					(260,785)	45,248	(215,537)
Net Assets at Beginning of Year, as Restated					<u>1,041,403</u>	<u>111,958</u>	<u>1,153,361</u>
Net Assets at End of Year					<u>\$ 780,618</u>	<u>\$ 157,206</u>	<u>\$ 937,824</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF CASH ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Street Lighting</u>	<u>Safety Services</u>	<u>Capital Improvement Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Equity in Pooled Cash and Cash Equivalents	\$ 195,897	\$ 85,044	\$ 88,096	\$ 129,268	\$ 282,313	\$ 780,618
Total Assets	<u>\$ 195,897</u>	<u>\$ 85,044</u>	<u>\$ 88,096</u>	<u>\$ 129,268</u>	<u>\$ 282,313</u>	<u>\$ 780,618</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 18,595	\$ 266	\$ 93	\$ 4,720	\$ 52,229	\$ 75,903
Unreserved:						
Undesignated, Reported in:						
General Fund	177,302	0	0	0	0	177,302
Special Revenue Funds	0	84,778	88,003	124,548	154,251	451,580
Capital Projects Funds	0	0	0	0	72,185	72,185
Debt Service Funds	0	0	0	0	3,648	3,648
Total Fund Balances	<u>\$ 195,897</u>	<u>\$ 85,044</u>	<u>\$ 88,096</u>	<u>\$ 129,268</u>	<u>\$ 282,313</u>	<u>\$ 780,618</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Street Lighting	Safety Services	Capital Improvement Special Revenue	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 637,723	\$ 95,253	\$ 445,912	\$ 457,186	\$ 207,240	\$ 1,843,314
Intergovernmental	110,968	7,398	0	0	817,757	936,123
Charges for Services	103	0	0	0	438,933	439,036
Fines, Licenses, and Permits	33,155	0	0	0	933	34,088
Earnings on Investments	38,220	0	0	0	11,423	49,643
Miscellaneous	11,640	0	420	473	4,110	16,643
Total Receipts	<u>831,809</u>	<u>102,651</u>	<u>446,332</u>	<u>457,659</u>	<u>1,480,396</u>	<u>3,318,847</u>
Disbursements						
Current:						
Security of Persons and Property	70,109	0	357,897	0	143,292	571,298
Leisure Time Activities	0	0	0	10,626	220,756	231,382
Community Environment	0	0	0	17,775	0	17,775
Basic Utility Services	0	0	0	0	512,195	512,195
Transportation	173,156	74,642	0	303,089	1,054,197	1,605,084
General Government	544,054	0	0	2,877	0	546,931
Capital Outlay	6,229	0	0	17,684	45,027	68,940
Principal Retirements	0	0	16,155	42,583	148,760	207,498
Interest and Fiscal Charges	0	0	3,905	8,528	60,516	72,949
Total Disbursements	<u>793,548</u>	<u>74,642</u>	<u>377,957</u>	<u>403,162</u>	<u>2,184,743</u>	<u>3,834,052</u>
Excess of Revenues Over (Under) Expenditures	<u>38,261</u>	<u>28,009</u>	<u>68,375</u>	<u>54,497</u>	<u>(704,347)</u>	<u>(515,205)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	0	0	0	21,500	0	21,500
Proceeds from Notes	0	0	0	0	270,000	270,000
Transfers In	0	0	0	3,944	216,795	220,739
Transfers Out	(61,080)	0	(56,000)	(136,795)	(3,944)	(257,819)
Advances In	11,297	0	0	0	63,350	74,647
Advances Out	(63,350)	0	0	0	(11,297)	(74,647)
Total Other Financing Sources (Uses)	<u>(113,133)</u>	<u>0</u>	<u>(56,000)</u>	<u>(111,351)</u>	<u>534,904</u>	<u>254,420</u>
Net Change in Fund Balances	(74,872)	28,009	12,375	(56,854)	(169,443)	(260,785)
Fund Balance at Beginning of Year	<u>270,769</u>	<u>57,035</u>	<u>75,721</u>	<u>186,122</u>	<u>451,756</u>	<u>1,041,403</u>
Fund Balance at End of Year	<u>\$ 195,897</u>	<u>\$ 85,044</u>	<u>\$ 88,096</u>	<u>\$ 129,268</u>	<u>\$ 282,313</u>	<u>\$ 780,618</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 646,713	\$ 652,036	\$ 637,723	\$ (14,313)
Charges for Services	104	106	103	(3)
Fines, Licenses, and Permits	33,622	33,899	33,155	(744)
Intergovernmental	112,532	113,459	110,968	(2,491)
Earnings on Investments	38,759	39,078	38,220	(858)
Miscellaneous	<u>11,805</u>	<u>11,900</u>	<u>11,640</u>	<u>(260)</u>
Total Receipts	<u>843,535</u>	<u>850,478</u>	<u>831,809</u>	<u>(18,669)</u>
<u>Disbursements</u>				
Current:				
General Government	624,913	618,217	557,057	61,160
Security of Persons and Property	84,820	83,920	75,701	8,219
Transportation	194,015	191,957	173,156	18,801
Capital Outlay	<u>6,229</u>	<u>6,229</u>	<u>6,229</u>	<u>0</u>
Total Disbursements	<u>909,977</u>	<u>900,323</u>	<u>812,143</u>	<u>88,180</u>
Excess of Receipts Over (Under) Disbursements	<u>(66,442)</u>	<u>(49,845)</u>	<u>19,666</u>	<u>69,511</u>
<u>Other Financing Sources (Uses)</u>				
Advances In	0	11,297	11,297	0
Advances Out	(63,350)	(63,350)	(63,350)	0
Transfers Out	<u>(61,080)</u>	<u>(61,080)</u>	<u>(61,080)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(124,430)</u>	<u>(113,133)</u>	<u>(113,133)</u>	<u>0</u>
Net Change in Fund Balance	(190,872)	(162,978)	(93,467)	69,511
Fund Balance at Beginning of Year	226,501	226,501	226,501	0
Prior Year Encumbrances Appropriated	<u>44,268</u>	<u>44,268</u>	<u>44,268</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 79,897</u>	<u>\$ 107,791</u>	<u>\$ 177,302</u>	<u>\$ 69,511</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
STREET LIGHTING FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 86,021	\$ 92,626	\$ 95,253	\$ 2,627
Intergovernmental	<u>6,681</u>	<u>7,194</u>	<u>7,398</u>	<u>204</u>
Total Receipts	<u>92,702</u>	<u>99,820</u>	<u>102,651</u>	<u>2,831</u>
<u>Disbursements</u>				
Current:				
Transportation	<u>110,567</u>	<u>119,510</u>	<u>74,908</u>	<u>44,602</u>
Total Disbursements	<u>110,567</u>	<u>119,510</u>	<u>74,908</u>	<u>44,602</u>
Net Change in Fund Balance	(17,865)	(19,690)	27,743	47,433
Fund Balance at Beginning of Year	54,968	54,968	54,968	0
Prior Year Encumbrances Appropriated	<u>2,067</u>	<u>2,067</u>	<u>2,067</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 39,170</u>	<u>\$ 37,345</u>	<u>\$ 84,778</u>	<u>\$ 47,433</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
SAFETY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 436,089	\$ 442,084	\$ 445,912	\$ 3,828
Miscellaneous	411	416	420	4
Total Receipts	<u>436,500</u>	<u>442,500</u>	<u>446,332</u>	<u>3,832</u>
<u>Disbursements</u>				
Current:				
Security of Persons and Property	374,528	374,541	357,990	16,551
Principal and Interest	21,000	20,987	20,060	927
Total Disbursements	<u>395,528</u>	<u>395,528</u>	<u>378,050</u>	<u>17,478</u>
Excess of Receipts Over (Under) Disbursements	<u>40,972</u>	<u>46,972</u>	<u>68,282</u>	<u>21,310</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>(56,000)</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(56,000)</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>0</u>
Net Change in Fund Balance	(15,028)	(9,028)	12,282	21,310
Fund Balance at Beginning of year	73,726	73,726	73,726	0
Prior Year Encumbrances Appropriated	<u>1,995</u>	<u>1,995</u>	<u>1,995</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 60,693</u>	<u>\$ 66,693</u>	<u>\$ 88,003</u>	<u>\$ 21,310</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<u>Receipts</u>				
Property and Other Local Taxes	\$ 459,874	\$ 517,970	\$ 457,186	\$ (60,784)
Miscellaneous	476	536	473	(63)
Total Receipts	<u>460,350</u>	<u>518,506</u>	<u>457,659</u>	<u>(60,847)</u>
<u>Disbursements</u>				
Current:				
General Government	3,107	3,281	2,877	404
Security of Persons and Property	15,933	16,825	14,752	2,073
Leisure Time Activities	21,535	22,740	19,938	2,802
Community Environment	19,199	20,273	17,775	2,498
Transportation	325,568	343,785	301,428	42,357
Principal and Interest	55,204	58,293	51,111	7,182
Total Disbursements	<u>440,546</u>	<u>465,197</u>	<u>407,881</u>	<u>57,316</u>
Excess of Receipts Over (Under) Disbursements	<u>19,804</u>	<u>53,309</u>	<u>49,778</u>	<u>(3,531)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	21,500	21,500	21,500	0
Transfers In	3,944	3,944	9,394	0
Transfers Out	(136,795)	(136,795)	(142,245)	0
Total Other Financing Sources (Uses)	<u>(111,351)</u>	<u>(111,351)</u>	<u>(111,351)</u>	<u>0</u>
Net Change in fund Balance	(91,547)	(58,042)	(61,573)	(3,531)
Fund Balance at Beginning of Year	166,517	166,517	166,517	0
Prior Year Encumbrances Appropriated	19,604	19,604	19,604	0
Fund Balance at End of Year	<u>\$ 94,574</u>	<u>\$ 128,079</u>	<u>\$ 124,548</u>	<u>\$ (3,531)</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	Business-Type Activities			Total Enterprise Funds
	Sewer Improvement	Refuse	Waste Water Treatment	
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 46,614	\$ 37,688	\$ 72,904	\$ 157,206
Total Assets	<u>\$ 46,614</u>	<u>\$ 37,688</u>	<u>\$ 72,904</u>	<u>\$ 157,206</u>
<u>Net Assets</u>				
Unrestricted	\$ 46,614	\$ 37,688	\$ 72,904	\$ 157,206
Total Net Assets	<u>\$ 46,614</u>	<u>\$ 37,688</u>	<u>\$ 72,904</u>	<u>\$ 157,206</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS -
CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Business-Type Activities			Total Enterprise Funds
	Sewer Improvement	Refuse	Waste Water Treatment	
<u>Operating Receipts</u>				
Charges for Services	\$ 280,081	\$ 106,703	\$ 359,194	\$ 745,978
Total Operating Receipts	<u>280,081</u>	<u>106,703</u>	<u>359,194</u>	<u>745,978</u>
<u>Operating Disbursements</u>				
Purchased Services	17,728	0	14,038	31,766
Personal Services	0	3,120	125,962	129,082
Fringe Benefits	0	870	61,921	62,791
Contractual Services	53,720	111,171	123,599	288,490
Materials and Supplies	0	875	22,896	23,771
Capital Outlay	264,226	0	8,290	272,516
Other	0	687	0	687
Total Operating Disbursements	<u>335,674</u>	<u>116,723</u>	<u>356,706</u>	<u>809,103</u>
Operating Income (Loss)	<u>(55,593)</u>	<u>(10,020)</u>	<u>2,488</u>	<u>(63,125)</u>
<u>Non-Operating Receipts (Disbursements)</u>				
Special Assessments	12,320	8,270	11,946	32,536
Principal Retirement	(126,873)	0	0	(126,873)
Interest and Fiscal Charges	(59,865)	0	0	(59,865)
Proceeds from Loan	225,495	0	0	225,495
Total Non-Operating Receipts (Disbursements)	<u>51,077</u>	<u>8,270</u>	<u>11,946</u>	<u>71,293</u>
Income (Loss) Before Transfers	(4,516)	(1,750)	14,434	8,168
Transfers In	0	0	37,080	37,080
Change in Net Assets	(4,516)	(1,750)	51,514	45,248
Net Assets as Beginning of Year, as Restated	<u>51,130</u>	<u>39,438</u>	<u>21,390</u>	<u>111,958</u>
Net Assets at End of Year	<u>\$ 46,614</u>	<u>\$ 37,688</u>	<u>\$ 72,904</u>	<u>\$ 157,206</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Equity in Pooled Cash and Cash Equivalents	\$ 283	\$ 23,966
Total Assets	<u>\$ 283</u>	<u>\$ 23,966</u>
<u>Liabilities</u>		
Deposits Held and Due to Others	\$ 0	\$ 23,966
Total Liabilities	<u>0</u>	<u>\$ 23,966</u>
<u>Net Assets</u>		
Held in Trust for Scholarships	<u>\$ 283</u>	

See accompanying notes to the basic financial statements.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
STATEMENT OF CHANGES IN NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Private Purpose Trust <u>Scholarship Fund</u>
<u>Additions</u>	
Contributions	\$ 275
Total Additions	<u>275</u>
<u>Deductions</u>	
Change in Net Assets	275
Net Assets, Beginning of Year	<u>8</u>
Net Assets, End of Year	<u><u>\$ 283</u></u>

See accompanying notes to the basic financial statements.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1: **REPORTING ENTITY**

The Village of Jefferson, Ashtabula 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 six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term. The Village provides refuse (contracted) and sewer utilities, income tax in-house, park operations, and police.

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

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Village. The Village operates a volunteer fire department operated by income tax money and contracts.

B. Component Units

Components units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and **1)** the Village is able to significantly influence the programs or services performed or provided by the organization; or **2)** the Village is legally entitled to or can otherwise access the organization's resources; **3)** the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or **4)** the Village is obligated for the debt of the organization. The Village does not have any component units.

The Village participates in one public entity risk pool. Note 10 to the financial statements provide additional information for this entity. The organization is:

Public Entity Risk Pool: Ohio Municipal Joint Self-Insurance Pool

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

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted (GAAP) in the United States of America. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies:

A. Basis of Presentation

The Village's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling-up" receipts and disbursements. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts, or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balance, investments, and all cash balances of the governmental activities and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

Government-wide Financial Statements (Continued)

goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements During the year, the Village segregates transactions related to certain Village functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. **Fund Accounting**

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are as follows:

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

Governmental Funds (Continued)

General Fund - The general fund is the operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the Village for any purpose, provided it is expended or transferred according to the general laws of the State of Ohio.

Street Lighting Fund - This fund is used to account for the Village's street lights and traffic signals.

Safety Services Fund - This fund receives fees and General Fund transfers to fund police and fire services of the Village.

Capital Improvement Special Revenue Fund - This fund receives property and other local taxes to provide for the necessary capital improvements of the Village.

Other Governmental Funds - The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Sewer Fund, the Waste Water Treatment Fund, and the Refuse Fund.

Sewer Improvement Fund - This fund receives charges for services to cover the cost of providing sanitary sewers to Village residents and commercial users.

Waste Water Treatment Fund - This fund receives charges to cover the cost of removing contaminants from sewage created by residential and commercial users within the Village for discharge or reuse back into the environment.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

B. **Fund Accounting** (Continued)

Proprietary Funds (Continued)

Enterprise Funds (Continued)

Refuse Fund - This fund receives charges for services from residents to cover the cost of providing garbage pickup.

Internal Service Fund - Internal service funds account for services provided by one department of the Village to another on a cost-reimbursement basis. The Village has no internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village's only trust fund is a private purpose trust, which accounts for money set aside for scholarships. The income from such a fund may be expended, but the principal must remain intact. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village's agency funds are: Unclaimed Funds, Utility Deposits, Bid Performance Bond, Jefferson Marketing Fund, and Scholarship Fund.

C. **Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities and the related expenses) are not recorded in these financial statements.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund level for all funds. The General Fund is broken down to show the amount that each department contained within the fund has been appropriated.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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 negative receipts (contra revenue), respectively.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

During 2007, the Village invested in a repurchase agreement, a money market account, STAROhio, and U.S. Government securities. The repurchase agreement and U.S. Government securities are reported at cost. The Village's money market account is recorded at the amount reported by the financial institutions at December 31, 2007.

STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings on investments are allocated to Village funds according to State statutes, grant requirements, or debt related requirements. Interest receipts credited to the General Fund during 2007 was \$38,220.

F. **Restricted Assets**

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted assets as of December 31, 2007.

G. **Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. There was one new advance made by the Village in 2007, which is expected to be repaid in 2008.

H. **Property, Plant, and Equipment**

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

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

J. Fund Balance Reserves

The Village reserves any portion of fund balances which are not available for appropriation or which are legally separate for a specific use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves that have been established for encumbrances were \$75,903 in the governmental funds for 2007.

NOTE 3: RESTATEMENT OF NET ASSETS

The Utility Deposit Fund previously reported as a proprietary (enterprise) fund was reclassified as a fiduciary (agency) fund. The restatement of the business-type activities is as follows:

	Enterprise Funds
Net Assets at December 31, 2006	\$ 127,841
Reclassification of Utility Deposit Fund to Agency Fund	(15,883)
Adjusted Net Assets at December 31, 2006	\$ 111,958

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

Appropriations Exceed Estimated Resources - Ohio Revised Code 5705.39 prohibits appropriations from exceeding the total estimated resources. The following funds had appropriations exceeded estimated resources as of December 31, 2007:

Fund No.	Description	Total Certificate of Estimated Resources	Total Final Appropriations	Variance
<i>Other Governmental Funds</i>				
706	Recreation Rental Deposits	\$ 3,156	\$ 3,400	\$ (244)
802	Special Assessments E. Cedar	0	3,951	(3,951)
<i>Proprietary (Enterprise) Funds</i>				
509	Sewer Improvement	159,243	312,133	(152,890)
520	Wastewater Treatment	13,499	390,222	(376,723)

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements, and Changes in Fund Balances – Budget and Actual - Budgetary Basis presented for the General Fund, the Street Lighting Fund, the Safety Services Fund, and the Capital Improvement Special Revenue Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The prior year encumbrances outstanding at year end 2007 (budgetary basis) amounted to \$44,268 for the General Fund, \$2,067 for the Street Lighting Fund, \$1,995 for the Safety Services Fund, and \$19,604 for the Capital Improvement Special Revenue Fund. The current year encumbrances outstanding at December 31, 2007 (budgetary basis) amounted to \$18,595 for the General Fund, \$266 for the Street Lighting Fund, \$93 for the Safety Services Fund, and \$4,720 for the Capital Improvement Special Revenue Fund. There was an outstanding advance at year end due to the General Fund from other governmental funds in the amount of \$52,053.

NOTE 6: DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active deposits are public monies determined to be necessary to meet current demands on the Village treasury. Active monies must be maintained either as cash in the Village Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

Interim monies held by the Village can be deposited or invested in the following securities in accordance with the Village's investment policy:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States, except stripped principal or interest obligations of such eligible obligations;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All Federal agency securities shall be direct issuances of Federal government agencies or instrumentalities;
3. Certificates or deposit or savings or deposit accounts in Council-approved depositories.
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds meeting minimum requirements set forth in Ohio Revised Code Section 135.01(O) and consisting exclusively of Treasury or Federal agency/instrumentality obligations or repurchase agreements secured by such obligations, providing such investments are made only through banks and savings and loan institutions authorized by Ohio Revised Code Section 135.03;
6. The State Treasurer's investment pool (STAROhio); and
7. Written repurchase agreements collateralized as required by the Ohio Revised Code with Treasury or Federal agency/instrumentality obligations made through eligible institutions or eligible dealers. The time period of such agreements may be overnight or within a time period not to exceed thirty (30) days. The market value of the securities subject to the repurchase agreement must exceed the principal value of the term repurchase agreement by 2 percent, and such securities shall be marked to market daily. Up to 25 percent of interim monies available may be invested in commercial paper or bankers' acceptances after meeting requirements specified in Ohio Revised Code Section 135.14(B)(7).

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged by the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the financial institution.

A. Cash on Hand

At December 31, 2007, the Village had \$1,000 in undeposited cash on hand, which is included on the balance sheet of the Village as part of "Equity in Pooled Cash and Cash Equivalents".

B. Deposits

At December 31, 2007, the carrying amount of the Village's deposits was \$469,181, and the bank balance was \$607,009. Of the bank balance, \$244,704 was covered by Federal Depository Insurance. Although all State statutory requirements for the deposit of money have been followed, noncompliance with Federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of a bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, \$362,305 of the Village's bank balance of \$607,009 was exposed to custodial credit risk.

The Village has no depository policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

As of December 31, 2007, the Village had the following deposits and cash on hand:

Demand Deposits	\$ 193,512
Certificates of Deposit	<u>275,669</u>
Total Deposits	<u>\$ 469,181</u>

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

C. Investments

The stated purpose of an investment policy is to establish investment objectives of the Village in compliance with Federal, State, and local laws. Specifically, Chapter 135 of the Ohio Revised Code (the Uniform Depository Act) and Sections 731.55 through 731.59 of the Ohio Revised Code shall be adhered to at all times. The Village does not have a formal investment policy.

As of December 31, 2007, the Village had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less than 1 Year</u>	<u>1-2 Years</u>
Money Market Fund	\$ 30,000	\$ 30,000	\$ 0
Repurchase Agreement	181,283	181,283	0
U.S. Government Securities	30,000	0	30,000
STAROhio	250,609	250,609	0
Total Investments	<u>\$ 491,892</u>	<u>\$ 461,892</u>	<u>\$ 30,000</u>

D. Interest Rate Risk

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

E. Credit Risk

The credit risk of the Village's investments is shown in the table below. The Village has no investment policy that would further limit its investment choices other than limitations imposed by the Ohio Revised Code.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

F. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Government Securities are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Clerk/Treasurer or qualified trustee.

G. Concentration of Credit Risk

The Village places no limit on the amount it may invest in one issuer. The following table includes the percentage of each investment type held by the Village at December 31, 2007:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% of Total</u>	<u>Credit Rating</u>
Money Market Fund	\$ 30,000	6.1%	AAAm
Repurchase Agreement	181,283	36.9%	A-1
U.S. Government Securities	30,000	6.1%	AAA
STAROhio	<u>250,609</u>	<u>50.9%</u>	AAA
Total Investments	<u>\$ 491,892</u>	<u>100.0%</u>	

Credit ratings were obtained from Standard & Poor's for all investments.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 6: **DEPOSITS AND INVESTMENTS** (Continued)

H. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to the cash and investments reported on the statement of net assets as of December 31, 2007.

Cash and Investments per Footnote

Cash on Hand	\$ 1,000
Carrying Amount of Deposits	469,181
Carrying Value of Investments	<u>491,892</u>
Total Cash and Investments per Footnote	<u>\$ 962,073</u>

Cash and Investments per Statement of Net Assets

Governmental Activities	\$ 780,618
Business-Type Activities	157,206
Fiduciary Funds	<u>24,249</u>
Total Cash and Investments per Statement of Net Assets	<u>\$ 962,073</u>

NOTE 7: **INTERFUND TRANSFERS**

Following is a summary of transfers in and out for all funds for 2007:

<u>Transfers From</u>	<u>Capital Improvement Fund</u>	<u>Other Government Funds</u>	<u>Wastewater Treatment Fund</u>	<u>Total</u>
General Fund	\$ 0	\$ 24,000	\$ 37,080	\$ 61,080
Safety Service Fund	0	56,000	0	56,000
Capital Improvement Special Revenue Fund	0	136,795	0	136,795
Other Government Funds	<u>3,944</u>	<u>0</u>	<u>0</u>	<u>3,944</u>
Total Transfers	<u>\$ 3,944</u>	<u>\$ 216,795</u>	<u>\$ 37,080</u>	<u>\$ 257,819</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorization. All transfers are in compliance with Ohio Revised Code Sections 5705.14 - 5705.16.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 8: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Village. 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 payments, the first half is due December 31. The second half payment is due the following June 20.

Real property taxes received in 2007 were levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market values.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

The full tax rate for 2007 Village property tax receipts was \$8.53 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 8: **PROPERTY TAXES** (Continued)

Real Property:	
Residential and Agricultural	\$ 37,455,160
Commercial/Industrial/Mineral	18,275,640
Public Utility Property:	
Real	5,240
Personal	2,730,170
Tangible Personal Property	7,206,910
Total Assessed Value	<u>\$ 65,673,120</u>

NOTE 9: **LOCAL INCOME TAX**

The Village levies an income tax whose proceeds are placed into the General Fund and the Capital Improvement Fund. The Village's income tax rate changed to 1.5 percent from 1 percent as of July 1, 2005. The Village levies and collects on all income earned within the Village as well as on incomes of residents earned outside the Village. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village of Jefferson at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 10: **RISK MANAGEMENT**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated tax exempt non-profit association available to municipal corporations and their instrumentalities. The Pool 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 Pool pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

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

The Pool's audited financial statements (audited by other auditors) conform with generally accepted accounting principles and reported the following assets, liabilities, and retained deficit as of December 31, 2007:

Assets	\$ 2,405,834
Liabilities	<u>(2,877,385)</u>
Accumulated Deficit	<u>\$ (471,551)</u>

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 11: **DEFINED BENEFIT PENSION PLANS**

A. Ohio Public Employees Retirement System

All Village full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the Traditional Plan who were in law enforcement contributed 9.75 percent of their annual covered salary.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 11: **DEFINED BENEFIT PENSION PLANS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Village was 8.85 percent of covered payroll from January 1 to June 30, 2007, and 7.85 from July 1 to December 31, 2007. The Village's required contributions to OPERS for the years ended December 31, 2007, 2006, and 2005, were \$57,716, \$53,159, and \$55,740, respectively. The full amount has been contributed for 2007, 2006, and 2005. Contributions to the Member-Directed plan for 2007 were \$52 made by the Village and \$35 made by the plan members.

B. **Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Police are required to contribute 10 percent of their annual covered salary to fund pension obligations and the Village is required to contribute 19.5 percent for police officers. The Village's contributions to the OP&F for police were \$38,240, \$38,142, and \$35,860 for the years ended December 31, 2007, 2006, and 2005, respectively. The full amount has been contributed for 2007, 2006, and 2005.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 12: POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer rate was 13.85 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Ohio Public Employees Retirement System** (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Village contributions for 2007 which were used to fund post-employment benefits were \$38,017. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by the OP&F. OP&F provides health care benefits, including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium, and long-term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check, or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a two-thirds basis. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Health care funding and accounting is on a pay-as-you-go basis.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F's Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contributions requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50 percent of covered payroll for police employers. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 12: **POST-EMPLOYMENT BENEFITS** (Continued)

B. Ohio Police and Fire Pension Fund (Continued)

OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2007, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. The number of OP&F participants eligible to receive health care benefits as of December 31, 2006, the date of the last actuarial valuation was 14,120 for police.

The Village's actual contributions for 2007 that were used to fund post-employment health care benefits were \$28,674. The OP&F's total health care expenses for the year ended December 31, 2006 (the latest information available) was \$120,373,722, which was net of member contributions of \$58,532,848.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 13: **DEBT**

Debt outstanding at December 31, 2007 consisted of the following:

	Interest	** Balance				Principal
	Rate	12/31/2006	Additions	Reductions	12/31/2007	Balance Due Within One Year
<u>Governmental Activities</u>						
<i>General Obligation Bonds</i>						
Recreation Facility Bonds	6.60%	\$ 1,075,000	\$ 0	\$ 40,000	\$ 1,035,000	\$ 40,000
<i>General Obligation Notes</i>						
West Cedar Street Special Assessment Notes	4.68%	0	270,000	0	270,000	21,789
Capital Lease Obligations	Various	<u>380,803</u>	<u>273,440</u>	<u>167,498</u>	<u>486,745</u>	<u>113,326</u>
Total Governmental Activities		<u>1,455,803</u>	<u>543,440</u>	<u>207,498</u>	<u>1,791,745</u>	<u>175,115</u>
<u>Business-Type Activities</u>						
<i>Ohio Water Development Authority Loans</i>						
Sewer Construction Loan	4.56%	1,132,823	0	97,710	1,035,113	102,216
Sewer Construction Loan	4.04%	17,898	0	1,580	16,318	1,645
SR 46 Sewer Ext Loan (#4741)	3.97%	0	* 189,986	0	189,986	0
<i>Ohio Public Works Commission Loans</i>						
Elm Street Lift Station	0.00%	50,000	0	5,000	45,000	5,000
Wastewater Treatment Plant Upgrades	0.00%	0	36,352	0	36,352	20,000
Capital Lease Obligations	Various	<u>126,073</u>	<u>0</u>	<u>22,583</u>	<u>103,490</u>	<u>23,828</u>
Total Business-Type Activities		<u>1,326,794</u>	<u>226,338</u>	<u>126,873</u>	<u>1,426,259</u>	<u>152,689</u>
Total Debt Outstanding at December 31, 2007		<u>\$ 2,782,597</u>	<u>\$ 769,778</u>	<u>\$ 334,371</u>	<u>\$ 3,218,004</u>	<u>\$ 327,804</u>

* includes accrued interest of \$843

** amounts restated to reflect proper balances at 12/31/2006

The Recreation Facility Bonds were used to construct the Village's Recreation Center used by the residents of the Village. The bonds are being repaid in semi-annual installments, including interest, until the December 2024 maturity date.

The West Cedar Street Special Assessment Notes were issued in 2007 for the purpose of improving and paving West Cedar Street. The notes are being repaid in annual installments, including interest, until the May 2017 maturity date.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 13: **DEBT** (Continued)

The Ohio Water Development Authority (OWDA) Sewer Construction loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$2,082,417 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$74,132.70, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The OWDA State Route 46 Sewer Extension loan will provide funds for the Village to extend its sanitary sewers at the intersection of State Routes 46, 307, and 167. The OWDA has approved up to \$274,976 in loans to the Village for this project. The loans will be repaid in semi-annual installments, including interest, over 20 years. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. At December 31, 2007, a total of \$189,986 was actually disbursed by the OWDA for the State Route 46 Sewer Extension loan, including capitalized interest.

The Ohio Public Works Commission (OPWC) Elm Street loan is designated for capital improvements to the Elm Street Sanitary Sewer Lift Station Rehabilitation and Generator Replacement project. This interest free loan is being repaid in semi-annual installments of \$2,500 over 10 years.

The OPWC Wastewater Treatment Plant Upgrades loan is designated for capital improvements to the main treatment plant. This non-interest bearing loan will be repaid in semi-annual installments of \$10,320 over 20 years beginning in 2008.

Capital Lease Obligations consists of four separate lease purchase agreements for various equipment including one fire truck, two police cars, one van, two dump trucks, one backhoe, and other miscellaneous equipment.

VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)

NOTE 13: **DEBT** (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2007 are as follows:

<u>Due In</u>	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Capital Lease Obligations</u>		<u>General Obligation Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 40,000	\$ 54,245	\$ 113,326	\$ 22,479	\$ 21,789	\$ 12,636
2009	40,000	52,285	118,726	17,079	22,809	11,616
2010	45,000	50,285	124,383	11,422	23,876	10,549
2011	45,000	48,035	130,310	5,495	24,994	9,431
2012	50,000	45,740	0	0	26,163	8,262
2013-2017	280,000	188,313	0	0	150,369	21,756
2018-2022	360,000	107,013	0	0	0	0
2023-2026	175,000	14,310	0	0	0	0
Thereafter	0	0	0	0	0	0
	<u>\$ 1,035,000</u>	<u>\$ 560,226</u>	<u>\$ 486,745</u>	<u>\$ 56,475</u>	<u>\$ 270,000</u>	<u>\$ 74,250</u>

<u>Due In</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 175,115	\$ 89,360
2009	181,535	80,980
2010	193,259	72,256
2011	200,304	62,961
2012	76,163	54,002
2013-2017	430,369	210,069
2018-2022	360,000	107,013
2023-2026	175,000	14,310
Thereafter	0	0
	<u>\$ 1,791,745</u>	<u>\$ 690,951</u>

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 13: **DEBT** (Continued)

<u>Due In</u>	Business-Type Activities					
	OWDA Loans		OPWC Loans		Capital Lease Obligations	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 103,861	\$ 46,692	\$ 25,000	\$ 0	\$ 23,828	\$ 5,300
2009	108,643	41,910	21,352	0	25,142	3,996
2010	113,645	36,909	5,000	0	26,528	2,610
2011	118,875	31,678	5,000	0	27,992	1,136
2012	124,348	26,204	5,000	0	0	0
2013-2017	482,059	44,875	20,000	0	0	0
Thereafter	189,986	0	0	0	0	0
	<u>\$ 1,241,417</u>	<u>\$ 228,268</u>	<u>\$ 81,352</u>	<u>\$ 0</u>	<u>\$ 103,490</u>	<u>\$ 13,042</u>

<u>Due In</u>	Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 152,689	\$ 51,992
2009	155,137	45,906
2010	145,173	39,519
2011	151,867	32,814
2012	129,348	26,204
2013-2017	502,059	44,875
Thereafter	189,986	0
	<u>\$ 1,426,259</u>	<u>\$ 241,310</u>

NOTE 14: **CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

Construction and contractual commitments as of December 31, 2007 were as follows:

Sewer Plant Rehabilitation	\$ 373,648
Mulberry Street Paving	659,188
Traffic Grant Program	<u>761,351</u>
Total	<u>\$1,794,187</u>

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(CONTINUED)**

NOTE 15: CONTINGENT LIABILITIES

There are several lawsuits pending in which the Village is involved. Village management estimates that the potential claims against the Village not covered by insurance resulting from such litigation would not materially affect the financial statements of the Village.

Under the terms of Federal and State grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Village management believes disallowances, if any, will be immaterial.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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**

To the Mayor and Members of Village Council
Village of Jefferson
Ashtabula County
Jefferson, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Jefferson, Ohio, as of and for the year ended December 31, 2007, and have issued our report thereon dated September 22, 2008, 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 and wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 of Jefferson, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Jefferson, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Jefferson, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Jefferson, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of the Village of Jefferson, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Village of Jefferson, Ohio's internal control.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: **Item 2007-001**.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Jefferson, Ohio's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jefferson, Ohio'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as **Item 2007-002**. Also, we noted certain immaterial instances of noncompliance that we have reported to the management of the Village of Jefferson, Ohio, in a separate letter dated September 22, 2008.

The Village of Jefferson, Ohio's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village of Jefferson, Ohio's responses and, accordingly, we express no opinion on them.

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



James G. Zupka, CPA, Inc.
Certified Public Accountants

September 22, 2008

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Item 2007-001: Financial Statements

Condition/Criteria

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- The statement of activities prepared by the Village had various errors that required adjustment and reclassification.
- Several transfers were not recorded correctly in the statement of activities and the fund financial statements.
- Grant revenue was incorrectly reported in several instances.
- Homestead/Rollback receipts were improperly recorded as property and local tax revenues.
- Some debt proceeds and debt expenditures were not properly recorded.

Cause/Effect

Financial statement classifications were not accurate due to improper recording of amounts to account codes. This caused the draft financial statements to be inaccurate for presentation purposes, but they were correct in total.

Recommendation

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes, that will identify and correct errors and omissions.

Client Response

A final review of the financial statements will be implemented. The Village Clerk/Treasurer will be responsible to ascertain that financial statements are complete and accurate. These procedures will be implemented by December 31, 2008.

**VILLAGE OF JEFFERSON, OHIO
ASHTABULA COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007
(CONTINUED)**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Item 2007-002: Appropriations Exceed Estimated Resources

Condition/Criteria

Ohio Revised Code Section 5705.39 requires that appropriations from each fund not exceed the total of the estimated fund resources from each fund as certified by the County Budget Commission. When amending resources, this section also provides that no appropriation measure shall become effective until the Village obtains the County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

Cause/Effect

As of December 31, 2007, the following funds had appropriations exceeding estimated resources:

<u>Fund No.</u>	<u>Description</u>	<u>Final Resources</u>	<u>Final Appropriations</u>	<u>Variance</u>
<i>Special Revenue Funds</i>				
706	Recreation Rental Deposits	\$ 3,156	\$ 3,400	\$ (244)
<i>Capital Projects Funds</i>				
802	Special Assessment E. Cedar	0	3,951	(3,951)
<i>Enterprise Funds</i>				
509	Sewer Improvement	159,243	312,133	(152,890)
520	Wastewater Treatment	13,499	390,222	(376,723)

Recommendation

We recommend that the Village take the necessary steps to assist in the preparation of future budgets, in order for the Village to be in compliance with Ohio Revised Code Section 5705.39.

Client Response

Corrective action will be taken in future years to amend the certificate of estimated resources so it reflects increased appropriations.

**VILLAGE OF JEFFERSON
ASHTABULA COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or No Longer Valid; Explain
2006-001	Transfers not in compliance with ORC	Yes	
2006-002	Per Ohio Revised Code Sections 5705.39 and 5705.16 regarding appropriations estimated resources	No	Re-issued as Finding 2007-002

Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Mary Taylor, CPA
Auditor of State

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
DECEMBER 16, 2008**