



**Auditor of State
Betty Montgomery**

VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund And Similar Fiduciary Fund Types - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund And Similar Fiduciary Fund Types - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Jeffersonville, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. 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 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 17, 2003

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$135,878	\$3,303	\$0	\$139,181
Municipal Income Tax	269,601	0	0	269,601
Intergovernmental Receipts	52,924	46,933	0	99,857
Charges for Services	0	31,538	0	31,538
Fines, Licenses, and Permits	6,873	0	0	6,873
Earnings on Investments	4,887	543	0	5,430
Miscellaneous	9,891	0	0	9,891
	<u>480,054</u>	<u>82,317</u>	<u>0</u>	<u>562,371</u>
Total Cash Receipts				
	480,054	82,317	0	562,371
Cash Disbursements:				
Current:				
Security of Persons and Property	30,035	0	0	30,035
Public Health Services	2,830	0	0	2,830
Leisure Time Activities	0	38,886	0	38,886
Community Environment	5,000	0	0	5,000
Transportation	0	48,212	0	48,212
General Government	391,354	1	0	391,355
Debt Service:				
Principal Payments	16,300	0	0	16,300
Interest Payments	3,538	0	0	3,538
Capital Outlay	0	3,299	0	3,299
	<u>449,057</u>	<u>90,398</u>	<u>0</u>	<u>539,455</u>
Total Cash Disbursements				
	449,057	90,398	0	539,455
Total Receipts Over/(Under) Disbursements	<u>30,997</u>	<u>(8,081)</u>	<u>0</u>	<u>22,916</u>
Other Financing Disbursements:				
Other Financing Uses	(17,742)	0	0	(17,742)
	<u>(17,742)</u>	<u>0</u>	<u>0</u>	<u>(17,742)</u>
Total Other Financing Disbursements				
	(17,742)	0	0	(17,742)
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,255	(8,081)	0	5,174
Fund Cash Balances, January 1	<u>162,172</u>	<u>45,030</u>	<u>15,048</u>	<u>222,250</u>
Fund Cash Balances, December 31	<u><u>\$175,427</u></u>	<u><u>\$36,949</u></u>	<u><u>\$15,048</u></u>	<u><u>\$227,424</u></u>
Reserves for Encumbrances, December 31	<u><u>\$800</u></u>	<u><u>\$1,031</u></u>	<u><u>\$0</u></u>	<u><u>\$1,831</u></u>

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type	Fiduciary Fund Tpe	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$370,957	\$0	\$370,957
Miscellaneous	5,725	0	5,725
	<u>376,682</u>	<u>0</u>	<u>376,682</u>
Total Operating Cash Receipts	<u>376,682</u>	<u>0</u>	<u>376,682</u>
Operating Cash Disbursements:			
Personal Services	90,331	0	90,331
Fringe Benefits	32,907	0	32,907
Contractual Services	37,267	0	37,267
Supplies and Materials	114,068	0	114,068
Other	7,577	0	7,577
Capital Outlay	59,385	0	59,385
	<u>341,535</u>	<u>0</u>	<u>341,535</u>
Total Operating Cash Disbursements	<u>341,535</u>	<u>0</u>	<u>341,535</u>
Operating Income	<u>35,147</u>	<u>0</u>	<u>35,147</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	(70,284)	0	(70,284)
Interest and Other Fiscal Charges	(28,552)	0	(28,552)
	<u>(98,836)</u>	<u>0</u>	<u>(98,836)</u>
Total Non-Operating Cash Disbursements	<u>(98,836)</u>	<u>0</u>	<u>(98,836)</u>
Net Receipts Under Disbursements	(63,689)	0	(63,689)
Fund Cash Balances, January 1	<u>249,295</u>	<u>108</u>	<u>249,403</u>
Fund Cash Balances, December 31	<u>\$185,606</u>	<u>\$108</u>	<u>\$185,714</u>
Reserve for Encumbrances, December 31	<u>\$825</u>	<u>\$0</u>	<u>\$825</u>

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$51,072	\$29,324	\$0	\$0	\$80,396
Municipal Income Tax	314,547	0	0	0	314,547
Intergovernmental Receipts	86,108	49,518	0	0	135,626
Charges for Services	0	37,617	0	0	37,617
Fines, Licenses, and Permits	9,986	0	0	0	9,986
Earnings on Investments	7,824	869	0	0	8,693
Miscellaneous	10,544	8,608	0	0	19,152
	<u>480,081</u>	<u>125,936</u>	<u>0</u>	<u>0</u>	<u>606,017</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	65,802	0	0	0	65,802
Public Health Services	2,269	0	0	0	2,269
Leisure Time Activities	0	44,422	0	0	44,422
Community Environment	5,093	0	0	0	5,093
Basic Utility Services	11,690	0	0	0	11,690
Transportation	0	65,595	0	0	65,595
General Government	312,194	9,453	0	0	321,647
Debt Service:					
Principal Payments	78,524	0	0	0	78,524
Interest Payments	7,001	0	0	0	7,001
Capital Outlay	0	35,816	0	2,703	38,519
	<u>482,573</u>	<u>155,286</u>	<u>0</u>	<u>2,703</u>	<u>640,562</u>
Total Receipts Under Disbursements	<u>(2,492)</u>	<u>(29,350)</u>	<u>0</u>	<u>(2,703)</u>	<u>(34,545)</u>
Other Financing Disbursements:					
Other Financing Uses	<u>(19,026)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,026)</u>
Total Other Financing Disbursements	<u>(19,026)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(19,026)</u>
Cash Receipts Under Cash Disbursements and Other Financing Disbursements	(21,518)	(29,350)	0	(2,703)	(53,571)
Fund Cash Balances, January 1	<u>183,690</u>	<u>74,380</u>	<u>15,048</u>	<u>2,703</u>	<u>275,821</u>
Fund Cash Balances, December 31	<u>\$162,172</u>	<u>\$45,030</u>	<u>\$15,048</u>	<u>\$0</u>	<u>\$222,250</u>
Reserves for Encumbrances, December 31	<u>\$815</u>	<u>\$910</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,725</u>

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$357,853	\$0	\$357,853
Miscellaneous	5,439	0	5,439
	<u>363,292</u>	<u>0</u>	<u>363,292</u>
Operating Cash Disbursements:			
Personal Services	59,928	0	59,928
Fringe Benefits	19,936	0	19,936
Contractual Services	41,080	0	41,080
Supplies and Materials	55,125	0	55,125
Other	7,184	0	7,184
Capital Outlay	164,714	0	164,714
	<u>347,967</u>	<u>0</u>	<u>347,967</u>
Operating Income/(Loss)	<u>15,325</u>	<u>0</u>	<u>15,325</u>
Non-Operating Cash Disbursements:			
Other	0	(40)	(40)
Redemption of Principal	(66,435)	0	(66,435)
Interest and Other Fiscal Charges	(30,401)	0	(30,401)
	<u>(96,836)</u>	<u>(40)</u>	<u>(96,876)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(81,511)	(40)	(81,551)
Fund Cash Balances, January 1	<u>330,807</u>	<u>148</u>	<u>330,955</u>
Fund Cash Balances, December 31	<u>\$249,296</u>	<u>\$108</u>	<u>\$249,404</u>
Reserve for Encumbrances, December 31	<u>\$426</u>	<u>\$0</u>	<u>\$426</u>

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Jeffersonville, Fayette County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Fayette County Sheriff's department to provide security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash and Investments

During the fiscal years 2002 and 2001, the Village's funds were deposited in a "NOW" checking account and invested in a repurchase agreement with a local commercial bank. The repurchase agreement is valued at cost.

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Permissive Motor Vehicle Fund

This fund receives license tax money to pay for maintaining and repairing village streets.

Parks and Recreation Fund

This fund receives bed tax, swimming pool membership and fees to fund the municipal swimming pool.

- 3. Debt Service Fund** – This fund is used to accumulate resources for the payment of bonds and note indebtedness.

4. Capital Project Funds

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

Carr Road Project Fund

This fund accounts for the remaining amount of proceeds received from Fayette County to improve the intersection of Carr Road. The Village expended the remaining funds in 2001.

5. Enterprise Funds

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

Water Fund

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

Sewer Fund

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

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following agency fund:

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unclaimed Monies Fund

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	2002	2001
Demand deposits	\$0	\$471,653
Repurchase agreement	413,138	0
Total deposits and investments	\$413,138	\$471,653

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

The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$500,876	\$480,054	(\$20,822)
Special Revenue	75,420	82,317	6,897
Enterprise	445,574	376,682	(68,892)
Total	\$1,021,870	\$939,053	(\$82,817)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$631,787	\$467,599	\$164,188
Special Revenue	99,640	91,429	8,211
Enterprise	651,626	441,196	210,430
Total	\$1,383,053	\$1,000,224	\$382,829

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$454,951	\$480,081	\$25,130
Special Revenue	75,420	125,936	50,516
Capital Projects	630	0	(630)
Enterprise	430,530	363,292	(67,238)
Total	\$961,531	\$969,309	\$7,778

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$634,188	\$502,414	\$131,774
Special Revenue	162,075	156,197	5,878
Capital Projects	2,703	2,703	0
Enterprise	775,963	445,229	330,734
Total	\$1,574,929	\$1,106,543	\$468,386

The Village did not obtain prior certification of the fiscal officer for 55% for purchases nor were commitments encumbered as required b Ohio Law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. LOCAL INCOME TAX

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

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

The Village failed to properly enforce tax enforcement as required by Jeffersonville Village Ordinance, 98.08.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Water Revenue Mortgage Bonds	\$4,000	6.25%
Sewer Mortgage Loan	247,000	5.00%
Water Treatment Loan	124,230	2.00%
Sewer Treatment Loan	557,301	2.00%
State Route 41/Carr Road Loan	85,050	0.00%
State Route 41/Bond Anticipation Notes	<u>60,000</u>	5.00%
Total	<u>\$1,077,581</u>	

Water Revenue (Mortgage) Bonds were issued in 1973 at an original amount of \$115,000 at 6.25% interest and will expire in 2003. Payments are made as the Bonds and Coupons mature. The Village maintains a bond and coupon book of payments of this debt. These bonds were obtained for the renovation and construction of the water treatment facility. This loan was secured by utility fund customer charges for services.

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

Ohio Water Development Authority Loans: The Village has two loans from the Ohio Water Development Authority (OWDA). The two loans were for the renovation and improvement of the water and sewer systems of the Village. The Water Treatment Loan was established in 1990 for \$229,342 at 2% interest rate for twenty-five years and matures in 2015. The Sewer Treatment Loan was established in 1992 for \$898,738 at 2% interest rate for twenty-five years and matures in 2017. Both loans are paid semi-annually on January 1st and July 1st. This loan was secured by utility fund customer charges for services.

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

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

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

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Year ending December 31:	Water Revenue Mortgage	Sewer Mortgage Loan	Water Treatment Loan	Sewer Treatment Loan	State Route 41 Loan	Bond Anticipation Notes
2003	\$4,000	\$0	\$11,747	\$46,033	\$6,300	\$13,062
2004	0	34,350	11,747	46,033	6,300	12,578
2005	0	35,250	11,747	46,033	6,300	12,078
2006	0	35,050	11,747	46,033	6,300	0
2007	0	34,800	11,747	46,033	6,300	0
Subsequent	0	173,200	82,228	414,301	53,550	0
Total	<u>\$4,000</u>	<u>\$312,650</u>	<u>\$140,963</u>	<u>\$644,466</u>	<u>\$85,050</u>	<u>\$70,073</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

8. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

8. RISK POOL MEMBERSHIP (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001:

	<u>2001</u>	<u>2000</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

9. COMPLIANCE

The Village did not deposit certain funds within the time required by Ohio law.

The Village did not maintain accurate records as required by Ohio law.

The Village did not enforce the collections of delinquent income tax accounts as required by Village ordinance.



**Auditor of State
Betty Montgomery**

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Jeffersonville, Fayette County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 17, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 through 2002-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-30624-001 and 2002-30624-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 17, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 17, 2003

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation/Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriate for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificated shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000, (\$3,000 effective 4/7/03) the Clerk may authorize payment through a Then and Now Certificate without affirmation of Council, if such expenditure is otherwise valid.

Fifty five percent of the expenditures tested were executed without first obtaining the fiscal officer's certification and did not meet the exceptions provided for in the Code. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending of the Village funds.

FINDING NUMBER 2002-002

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 9.38, states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit. The Clerk held deposits in excess of \$40,000 for up to two months, and did not deposit receipts in a timely manner.

FINDING NUMBER 2002-003

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 733.28, states that the village clerk should keep the books of the village, exhibit accurate statements of all moneys received and expended, all property owned by the Village and income derived there from, and all taxes and assessments. Although the Village Clerk did maintain accounting records, the records contained numerous posting errors. As a result, the records maintained by the Clerk were not an accurate reflection of all moneys received and expended. The audited 2002 and 2001 financial statements include numerous audit adjustments and reclassifications.

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

We recommend the Clerk accurately maintain the Village's accounting records. In addition, all supporting documentation of receipts should be maintained. For added accountability, we recommend Council review all bank reconciliations and financial reports for accuracy and ensure that all reconciling items are justified.

FINDING NUMBER 2002-004

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.09 (F), states that each subdivision shall establish a special fund for each source of revenue derived from a source other than the general property tax which the law requires to be used for a particular purpose. Monies were not always posted to the particular fund specified by their purpose. Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The Village did not properly record Intergovernmental monies, Homestead/Rollback monies and Bed Tax in the proper funds. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

	General Fund	Parks and Recreation Fund
2001	(\$ 6,002)	\$ 6,002
2002	<u>(\$ 7,956)</u>	<u>\$ 7,956</u>
Total	(\$13,958)	\$13,958

FINDING NUMBER 2002-005

Noncompliance Citation/Material Weakness

Jeffersonville Village Ordinance 98.08, Section 2, states that "It shall be the duty of the Tax Commissioner to collect and receive the tax imposed by this subchapter, and to keep an accurate record thereof, and to report all moneys so received."

**FINDING NUMBER 2002-005
(Continued)**

Section 3, states that the Tax Commissioner shall enforce payment of all income taxes owed to the municipality, to keep an accurate record for a minimum of five years.

The Tax Commissioner failed to take action on any of the Village's delinquent income tax accounts. The Village has uncollected taxes due the Village in excess of \$25,000. One of the delinquent accounts was the Tax Commissioner's spouse. Although the spouse has filed the tax forms for the past ten years no money has been collected for the tax owed to the Village. During 2002, the Clerk withheld an additional amount from her check for the purpose of paying the delinquent tax, however a refund was issued for the additional withholding that the Clerk had paid. The Village's failure to investigate in a timely manner citizens who have not filed and/or paid their income tax withholding weakens the Village's control over the collection cycle and resulted in loss of revenue. We recommend that the Village Council establish procedures to determine delinquent taxes owed to the Village and to take appropriate legal action, when deemed necessary, to collect the delinquent taxes.

FINDING NUMBER 2002-006

Noncompliance Citation/Reportable Condition

Village Ordinance, 2000-07, established salaries for the Village's employees. The Village Maintenance Employee's established rate was \$12.02 with overtime rate established at \$18.03. The Village Maintenance employee, Jeff Prater, was compensated for nine hours overtime at the rate of \$27.05. This resulted in an overpayment of \$243.45. In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public monies expended is hereby issued against Jeff Prater, in the amount of two hundred forty three dollars and forty five cents (\$243.45), and in favor of the Village's Street Fund. This finding for recovery has been repaid under the current audit.

FINDING NUMBER 2002-007

Reportable Condition

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

To ensure continuing accountability and to strengthen internal accounting controls, we recommend that the Village designate one other employees to handle the Clerk's duties in her absence. UAN training should be provided to the designated personnel. The designated person should have a separate password to access the UAN system. This will help maintain records more efficiently and keep the ledgers up to date. In addition, officials should periodically review the records, i.e. reconciliations, withholding and retirement settlements, cashbooks, etc., to determine accuracy and to assure themselves that proper procedures are followed by the fiscal officer. These periodic reviews should be noted in the minutes and documents reviewed should be initialed by the reviewer.

FINDING NUMBER 2002-008

Reportable Condition

The following weaknesses were noted over payroll:

During 2001, the Clerk wrote several manual payroll checks to herself in advance, but did not post the checks to the system until a later date. As a result of overpaying herself in advance at the beginning of the year, the Clerk attempted to correct the problem during the latter half of the year and subsequently underpaid herself by \$495.74. The Clerk also paid her husband, a Board of Public Affairs member, a salary advance.

During July 2001, Council approved changing the payroll from a bi-weekly cycle to weekly cycle. However, employees were paid on the last day of that week which promoted the risk that employees could get paid prior to performing the service. The Mayor later determined that the Village would issue payroll checks one week after the end of the pay period. This procedure was changed on June 12, 2001.

Leave records and balances were not maintained completely and accurately by the Village to substantiate the leave accrued and leave taken by employees. This could result in leave being taken and not charged against the employees' accrued leave. The Clerk should maintain a leave journal to record leave accrual. The leave journal should reflect the following information for each employee: a) employee name; b) leave hours accumulated; c) leave hours used; d) balance. This will also decrease the possibility of leave being taken and not charged against the employees' accrued leave. The lack of an accurate leave journal could lead to employees being improperly compensated. We recommend the Village maintain an accurate leave journal. Specific guidance and examples of these documents can be found in the Auditor of State's "Payroll Procedures Manual," a copy of which can be obtained by contacting the Graphics Department of the Auditor of State's Office.

FINDING NUMBER 2002-009

Reportable Condition

The Council and Board of Public Affairs were not always aware of their appropriate administrative functions such as reviewing monthly financial records, reviewing monthly reconciliations, reviewing minutes and reviewing payroll and bills. This may create an environment which promotes future fraud or misappropriation of funds.

The following weaknesses were noted:

- Manual checks were prepared, but were not posted to the UAN system for two to three weeks;
- Checks were not issued in a consecutive order which caused many checks to be voided;
- Receipts were held and not deposited for a length of time;
- Duplicate payments were issued for several invoices;
- Monthly financial reports were not listed in the minutes as being presented to Council;
- The minutes did not include a list of bills approved for payment;
- Invoices contained no indication (e.g., initials) that someone had performed a comparison between the items included on the invoices and the items received;

**FINDING NUMBER 2002-009
(Continued)**

- Invoices were not always attached to the voucher packet;
- The minutes did not include all significant actions taken by Council or the Board of Public Affairs;
- Receipts were posted to improper funds;
- The minutes were not always properly signed by both the President of Council and the Mayor;
- Late payment fees were paid on several bills.

The lack of timely financial reports and accurate fund balances significantly reduces the Board of Public Affairs and Council's ability to monitor Village's financial position. In addition, the lack of control over invoices and goods/services received resulted in unauthorized payments, over/under payments or duplicate payments, and unaccounted for checks.

To strengthen the Village's internal control structure and reduce the likelihood of undetected errors, we recommend Village officials and management implement the following controls:

- All checks should be prepared using the UAN system. If the occasion arises that requires a manual check then the check should be entered into the UAN system immediately;
- Monthly financial reports should be presented to Council and the Board of Public Affairs. This submission should occur prior to the regular meetings so that Officials have an opportunity to review the information and ask informed questions at the meetings. Discussion of the monthly financial reports should be documented in the minutes;
- When invoices are received, a comparison should be made between the goods/services included on the invoice and the goods/services received. The official/department head which received the goods should perform this comparison and indicate his/her review by initializing the invoice. The initials indicate the goods/services were received and the invoice is approved for payment. Invoices should be attached to all voucher packets;
- Once invoices have been approved for payment, the Clerk/Treasurer should issue the corresponding check and stamp the invoice "Paid." The invoice should be filed with the voucher packet;
- Council and Board of Public Affairs should ensure that procedures are in place so that receipts are deposited and posted on a timely basis; and
- Council should ensure that bills be paid on a timely basis to avoid late charges;
- As the Council speaks only through its minutes, it is important that the minutes be properly signed by the Council President and the Mayor showing approval.

This page intentionally left blank.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30624-001	Records were not retained for the Parks and Recreation Fund	Yes	
2000-30624-002	The availability of funds was not certified for certain commitments	No	Reissued as Finding 2002-001
2000-30624-003	Purchase orders were not properly authorized	Yes	
2000-30624-004	The Voucher packets were not signed by the Mayor and Council Members	Yes	
2000-30624-005	Debt payments were not consistent with debt schedules	No	Partially corrected. Reissued in the 2002 – 2001 management letter



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF JEFFERSONVILLE

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2003**