



**Auditor of State
Betty Montgomery**

VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY

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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 year ended December 31, 2003. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

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, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2004 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 § 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

October 20, 2004

**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property Tax and Other Local Taxes	\$149,929	\$3,290	\$0	\$153,219
Municipal Income Tax	254,205			254,205
Intergovernmental Receipts	80,484	64,043		144,527
Charges for Services		24,144		24,144
Fines, Licenses, and Permits	7,623			7,623
Earnings on Investments	2,603	289		2,892
Miscellaneous	11,075	238		11,313
	<u>505,919</u>	<u>92,004</u>	<u>0</u>	<u>597,923</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	51,832			51,832
Public Health Services	4,100			4,100
Leisure Time Activities		46,403		46,403
Community Environment	4,608			4,608
Basic Utility Services	10,293			10,293
Transportation		46,030		46,030
General Government	426,492			426,492
Capital Outlay	80,000			80,000
Debt Service:				
Principal Payments	16,300			16,300
Interest Payments	3,063			3,063
	<u>596,688</u>	<u>92,433</u>	<u>0</u>	<u>689,121</u>
Total Receipts (Under) Disbursements	<u>(90,769)</u>	<u>(429)</u>	<u>0</u>	<u>(91,198)</u>
Other Financing Receipts and (Disbursements):				
Proceeds of Loan	34,864	0	0	34,864
	<u>34,864</u>	<u>0</u>	<u>0</u>	<u>34,864</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(55,905)	(429)	0	(56,334)
Fund Cash Balances, January 1	175,427	36,949	15,048	227,424
Fund Cash Balances, December 31	<u>\$119,522</u>	<u>\$36,520</u>	<u>\$15,048</u>	<u>\$171,090</u>
Reserves for Encumbrances, December 31	<u>\$79,242</u>	<u>\$1,015</u>	<u>\$0</u>	<u>\$80,257</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, 2003**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$360,968	\$0	\$360,968
Miscellaneous		724	724
	<u>360,968</u>	<u>724</u>	<u>361,692</u>
Operating Cash Disbursements:			
Personal Services	105,134		105,134
Fringe Benefits	33,942		33,942
Contractual Services	35,946		35,946
Supplies and Materials	68,143		68,143
Capital Outlay	8,561		8,561
Other	4,867	800	5,667
	<u>256,593</u>	<u>800</u>	<u>257,393</u>
Operating Income/(Loss)	<u>104,375</u>	<u>(76)</u>	<u>104,299</u>
Non-Operating Cash Receipts:			
Proceeds of Loan	33,650		33,650
Other Non-Operating Receipts	4,550		4,550
	<u>38,200</u>	<u>0</u>	<u>38,200</u>
Non-Operating Cash Disbursements:			
Redemption of Principal	86,923		86,923
Interest and Other Fiscal Charges	25,980		25,980
	<u>112,903</u>	<u>0</u>	<u>112,903</u>
Net Receipts Over/(Under) Disbursements	29,672	(76)	29,596
Fund Cash Balances, January 1	185,606	108	185,714
Fund Cash Balances, December 31	<u>\$215,278</u>	<u>\$32</u>	<u>\$215,310</u>
Reserve for Encumbrances, December 31	<u>\$5,392</u>	<u>\$0</u>	<u>\$5,392</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, 2003**

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 Deposits

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

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

Parks and Recreation Fund - This fund receives bed tax, swimming pool membership and fees to fund the municipal swimming pool.

VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

4. **Enterprise Funds**

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

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

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

5. **Fiduciary 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:

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. The Village did not encumber all commitments required by Ohio Law. The budgetary presentations have been adjusted to include material line items that should have been adjusted.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of 2003 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

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

Demand deposits \$386,400

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$510,510	\$540,783	\$30,273
Special Revenue	73,000	92,004	19,004
Enterprise	430,500	399,168	(31,332)
Total	\$1,014,010	\$1,031,955	\$17,945

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$699,895	\$675,930	\$23,965
Special Revenue	92,531	93,448	(917)
Enterprise	633,150	374,888	258,262
Total	\$1,425,576	\$1,144,266	\$281,310

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Village did not certify the availability of funds for certain commitments as required by Ohio Law. Budgetary expenditures exceeded appropriations in the Parks & Recreation Fund by \$6,500 and the Sewer Operating Fund by \$7,891. Appropriations exceeded estimated resources by \$36,000 in the Enterprise Debt Service Fund and \$66,048 in the Enterprise Debt Service Reserve Fund.

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, 90.7, Chapter 98.08, Section 2.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Loan	\$225,005	5.00%
Water Treatment Loan	114,968	2.00%
Sewer Treatment Loan	522,413	2.00%
OWDA Waste Water Treatment Expansion Loan	51,735	0.00%
State Route 41/Carr Road Loan	78,750	0.00%
State Route 41/Bond Anticipation Notes	<u>50,000</u>	5.00%
Total	<u>\$1,042,871</u>	

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

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 three loans from the Ohio Water Development Authority (OWDA). These loans were for the renovation and improvement of the water and sewer systems of the Village. The Water Treatment Loan was established in 1990 for \$229,342 at 2% interest 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. The Wastewater Treatment Expansion Design Loan was approved during 2003 for \$83,895 for expansion to wastewater treatment plant. \$68,514 of the loan proceeds have been received by 12/31/03. OWDA loans are paid semi-annually on January 1st and July 1st. These loans are 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:

Year ending December 31:	Sewer Mortgage Loan	Water Treatment Loan	Sewer Treatment Loan	OWDA WWTP Expansion Loan	State Route 41 Loan	Bond Anticipation Notes
2004	\$34,350	\$11,747	\$46,033	\$8,390	\$6,300	\$12,578
2005	35,250	11,747	46,033	8,390	6,300	12,077
2006	35,050	11,747	46,033	8,390	6,300	16,568
2007	34,800	11,747	46,033	8,390	6,300	15,787
2008	34,500	11,747	46,033	8,390	6,300	0
Subsequent	138,700	70,481	368,268	33,556	47,250	0
Total	<u>\$312,650</u>	<u>\$129,216</u>	<u>\$598,433</u>	<u>\$75,506</u>	<u>\$78,750</u>	<u>\$57,010</u>

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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 2003, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

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

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003 and 2002.

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

9. COMPLIANCE

Contrary to Ohio law:

- The Village posted receipts to the incorrect fund.
- The minute records did not document council's approval of amendments to estimated resources and appropriations.
- Estimated receipts exceeded actual receipts in the State Highway Fund by \$508, the Water Operating Fund by \$26,575.03, in the Sewer Operating Fund by \$1,906, and the Enterprise Deposit Fund by \$2,850.
- Deposits were not timely deposited.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

9. COMPLIANCE (Continued)

- The village clerk did not 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.
- The Tax Commissioner failed to take action on any of the Village's delinquent accounts.

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**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, 2003, and have issued our report thereon dated October 20, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting System (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN.. 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 2003-001, 2003-002, 2003-004 through 2003-008, and 2003-014. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 20, 2004.

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 2003-003 through 2003-014.

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 2003-003, 2003-004, and 2003-008 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 October 20, 2004.

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

October 20, 2004, except for finding 2003-002 which is dated November 18, 2004.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003**

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

FINDING NUMBER 2003-001

Finding for Recovery

Jeffersonville Village Ordinance 90-7 (April 5, 1990) provides for the imposition of a one percent (1%) municipal income tax, filing of a tax return by village residents, collection of municipal income tax, the appointment of a tax commissioner, and credit for tax paid to another municipality. This ordinance also imposes interest and penalties for tax amounts remaining unpaid after they become due.

Ken Roush is member of the Village BPA, and spouse of the Village Clerk/Tax Commissioner. Although Mr. Roush has filed tax forms with the Village for the past eleven years (1993-2003), and has had monies withheld from earnings as a member of the Board of Public Affairs, he has remitted no monies for municipal income taxes earned from sources other than those earnings as a Village official. Based upon the delinquency listing maintained by the Village Mr. Roush owes the Village \$4,215 for unpaid taxes for the years 1993 through 2003. No penalties and interest have been imposed upon Mr. Roush, and no collection efforts have been imposed by the Tax Commissioner or the Village Council to collect unremitted delinquent taxes. During 2004 Mr. Roush made payment for delinquent taxes in the amount of \$2,335 leaving an unpaid balance of \$1,880 as of the date of the post audit. Mr. Roush has agreed to a payment plan to resolve the unpaid delinquent taxes.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Ken Roush in favor of The Village of Jeffersonville in the amount of eighteen hundred eighty dollars (\$1,880).

FINDING NUMBER 2003-002

Reportable Condition

Village Ordinance 00-06 on March 2, 2000 placed a cap of 960 hours on accumulated sick leave balances. The cap was entered into the UAN payroll system. UAN denies posting of any sick leave that will make a sick leave balance greater than 960. Prior to March 2000, two employees had greater than 960 hours in accumulated sick leave. At the beginning of 2001, an adjustment was made to these employees' records to reduce their beginning balances equal 960.

On November 26, 2003 the clerk paid Marvin Seymore a severance payout of sick leave for \$12,125. The payout was made for 25% of 2,206.9 hours of sick leave earned prior to Village ordinance 00-06 becoming effective, and he was paid 25% of an additional 839.5 sick hours that were accumulated after March of 2000.

At the September 2, 2003 board meeting of the BPA, motion was passed to establish Mr. Seymore's balance at 1,145.70 hours of sick leave prior to Village ordinance 00-06 becoming effective. A 25% payout of the 1,145.70 hours would have equaled \$4,559.88.

**FINDING NUMBER 2003-002
(Continued)**

The clerk presented us with sick leave records that showed the 2,206.9 at the time of the cap. The record was handwritten and only provided balances as of January 1, 2001. We were faxed a letter from the former BPA President, and current member of Village Council, on May 4, 2004 approving the 2,206.9 hour balance of accumulated sick leave before the inception of the 960 hour cap. As for the balance due for new sick after the 960 cap, 82.5 sick hours were used in 2003 and the maximum accruable sick leave from the inception of the 960 hour cap on sick leave until the time of Mr. Seymore's retirement is 460 hours. The net of the 460 hour balance and the 82.5 sick hours used during 2003 equals 377.5.

There is no formal Village policy in place stating what the employees are entitled to for the hours accumulated prior to the cap upon retirement and what they will be eligible to receive for time earned since the cap was initiated. By not having a formal policy the Village increases the chances of making inconsistent severance payouts and violating the statutory requirements related to the earning and payout of leave. Council should consult the Village Solicitor about related legal precedence and set a clear policy of how sick leave earned prior to the cap and since the cap will be paid upon retirement, and apply the policy accurately and consistently.

To cure the severance payout of sick leave and avoid a finding for recovery against Marvin Seymore Council passed Resolution number 2004-007 on November 18, 2004 approving the severance payout.

FINDING NUMBER 2003-003

Material Weakness

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

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

- One membership application form could not be located.
- Many of the membership application forms were not signed or dated by the Village employee receiving the payment.
- Individuals who paid guest fees prior to purchasing their memberships were given credits totaling \$910 to reduce the amount of the membership fee due. A review of the guest sign-in sheets showed that signatures did not appear for approximately 77 of 182 credits given. Included in this amount is a \$20 credit given to Carol Benedict and a \$100 credit given to Steven Roush, son of Village Clerk Carol Roush, for which no signatures could be located on the guest sign-in sheets.
- On 11 occasions, the number of signatures on the guest sign-in sheets did not match the amount of guest receipts listed on the corresponding breakdown sheets. The total shortage possible from these discrepancies was \$195.
- Concession cash register tapes were not attached to 25 of the breakdown sheets that indicated concession receipts were collected. Of the 45 cash register tapes that were attached, 23 indicated an amount that was different than was listed on the corresponding breakdown sheet. The difference ranged from an overage of \$4 to shortage of \$10 on two occasions. The total difference was a shortage of \$32.38. Additionally, the cash register was not properly programmed to print the correct date on the register tapes.

**FINDING NUMBER 2003-003
(Continued)**

- The notebook maintained by the Village office contained only 10 pool rental agreement forms although documentation indicates that the pool was used at least 16 times for parties during the season. Deposits could only be located for 14 of the 16 rentals. No amount was documented as receipted or deposited for the 2 rentals. Additionally, only \$100 was paid for another rental, leaving a balance due of \$25.
- A carbonless-copy, sequentially numbered receipt book was used at the pool. A review of the receipt book indicates that it was used primarily in 1998 and 1999, but has been used sporadically since 2000. The receipts were not always used in sequential order and 49 receipts are missing from the book. For 2003, deposits were located for only 3 of the 8 receipts remaining in the book.
- At the end of each day, a pool employee counted the daily cash receipts and included it with the pool's daily information in an unlocked money bag that was taken to the bank nightly drop box. The unlocked bank bag was retrieved the next morning by the Assistant Village Clerk and taken back to the Village office. After counting and receipting at the Village office, the deposit was returned to the bank. Throughout the daily receipt process, several individuals, including youths attending the pool, had access to the pool office and unsecured funds.
- The Village does not have written procedures for the financial operation of the swimming pool or concessions.

Failure to accurately record receipts and maintain pool records could cause receipts and fund balances to be stolen or misappropriated. In order to strengthen internal controls over the pool receipt process we recommend the Village should develop and implement controls over the receipts and deposit of funds generated at the pool by adopting the following procedures:

- Council should adopt written policies and procedures regarding the financial operation of the pool/concessions;
- Funds received during the course of the day at the pool should be secured and safeguarded from possible theft;
- A receipt should be given for all membership purchases and all pool rentals;
- All pool membership applications and pool rental agreements should be initialed and dated by the Village employee upon acceptance;
- Credits given on membership purchases for prior guest payments should be properly documented with references of dates attended that can be traced to the guest sign in sheet;
- Deposits should be made by the following business day;
- Pool employees should complete and initial an itemization of the funds placed in the bank drop bag. The bag should be locked prior to dropping it off at the bank;
- The bag should either be opened at the Village office in the presence of two individuals, or by the bank personnel. Any discrepancies should be immediately investigated.

FINDING NUMBER 2003-004

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 eff. 4/7/03), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

Forty-Eight 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 2003-005

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.

- Of the income tax receipts tested, 83% were not deposited timely. These funds were held and not deposited for an average of 27 days and up to 275 days.
- Of the utility receipts tested, 27% were not timely deposited. These funds were held for an average of 2 days and up to 10 days.

Comparisons between the check dates, deposit dates, and receipt dates show that many deposit items are being held for significant time periods before they are being deposited or posted as receipts. Of the deposit detail items tested, 61% of deposit items are being held for significant time periods before they are being deposited or posted. 55 days was the largest gap between check date and deposit. Many were found to be held for greater than 30 days.

By holding deposit items that are not receipted The Village not only violates depositing requirements, but deposit items that are not posted as receipts are especially not safeguarded. In case of loss by theft or disaster there would be little to no means for the Village to recover missing funds.

FINDING NUMBER 2003-006

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 2003 financial statements include 17 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 2003-007

Noncompliance Citation/Reportable Condition

Ohio Rev Code, Section 5705.10, states that money that is paid into a fund must be used only for the purpose for which such a fund has been established. Adjustments were required due to posting fourth quarter. 2002 Hotel Tax to the General Fund instead of to the Special Revenue- Parks & Recreation Fund per Village Resolution approved March 7, 2001. By posting receipts to incorrect funds, the Village increases the risk of expending money for purposes not specifically designated by the funding source. Audit adjustments have been posted to the Village's financial records and are reflected in the accompanying financial statements to properly reflect receipts and disbursements of the Village.

FINDING NUMBER 2003-008

Noncompliance Citation/Material Weakness

Jeffersonville Village Ordinance 90-07, Chapter 98.08, Section A, paragraph 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."

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 accounts. Despite written request during 2003, the Village solicitor was unable to obtain a list of delinquent taxes in order to proceed with collections.

**FINDING NUMBER 2003-008
(Continued)**

Penalties and interest have not been assessed against any Village taxpayer as required by Village Ordinance 90-07, Chapter 98.10. By failing to assess such penalties and interest the Village incurs a loss in revenue and removes a deterrent of delinquent tax payers.

The Village has uncollected delinquent taxes due the Village in excess of \$30,000. The Village's failure to proceed with collections and enforce payment of all taxes in a timely manner weakens the Village's control over the collection cycle and could result in loss of revenue.

An analysis of the Village officials revealed the following:

- Board of Public Affairs member Ken Roush has a delinquent tax balance of \$4,215.07 as of 12/31/03. Although the Mr. Roush has filed the tax forms for the past ten years, only money for his elected official wages has been collected.
- Council Member Toyia Smith has not filed a return for 2002 as required for all Village residents by Village Ordinance 97-07, Chapter 98.05, section A. Ms. Smith has set up a payment plan for her delinquent tax balance.

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. We also recommend that the Village income tax reports be reviewed monthly to assure that the proper tax amounts are being collected. Proper information must also be provided to the Village solicitor in order to proceed with collections through the court, and penalties and interest must be assessed as required by Village Ordinance.

FINDING NUMBER 2003-009

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 during the time in which receipts and disbursements are issued and when they are posted to the UAN system. Also, bookkeeping errors occurred without detection in a timely manner nor is an accurate account maintained of the Village's funds.

To strengthen internal accounting controls and increase accuracy of postings, we recommend that the Village designate one other employee 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 2003-010

Reportable Condition

The following weaknesses were noted over payroll:

- Check number 1372 dated 12/27/03 for \$411.77 is to Carol Roush for work during the pay period ending 1/1/04. This is an advance of 5 days. To avoid the amount from showing as an overpayment on the payroll system and payroll records such as her W-2, the check was voided from the UAN payroll system. The check was cashed on 12/29/03, therefore creating a reconciling item at year end. Upon inquiry, we were told that the check was advanced because the Clerk was on leave. A review the Clerks payroll for January 2004 through October 14, 2004 disclosed 3 more instances of a paycheck being advanced by a week. Only 2 of the four instances had leave charged to the UAN system for that week. No policy of advancing checks for employees using leave could be located in the Employee handbook nor was any such policy provided by Village officials.

In order to resolve this issue in 2004 a payroll check will have to be posted to the UAN system with out issuance.

- On June 12, 2001 the Clerk began paying payroll on a weekly basis. During July 2001, Council approved changing the payroll from a bi-weekly cycle to weekly cycle. However, employees are paid for the week on the last day of that week. This promotes the risk that employees could get paid prior to performing the service. The Mayor in office during 2001 later determined that the Village would issue payroll checks one week after the end of the pay period. However, Village payroll checks during 2003 were still not issued in arrears.
- 12% of the timecards were not properly approved. An appropriate supervisor or elected official should review and sign off on all time cards to verify the worked. By not reviewing timecards the Village significantly increases the probability of compensating employees for hours not worked.
- Payroll check #1195 was overpaid by \$8 due to an error in a calculation by the clerk to allocate employee time between funds.

We recommend that the Village eliminate the practice of payroll advances, issue payroll checks in arrears as intended by Council, properly review time cards, and simplify the cumbersome calculations that have perpetuated payroll errors. By not correcting these items the Village increases the risk of overcompensating employees.

FINDING NUMBER 2003-011

Reportable Condition

Comp time balances were not tracked by the clerk's office. During 2003 the village council made the following addendum to the employee handbook:

"Overtime shall be calculated at 1-1/2 time the regular employee's hourly wage. Calculated time will be done by village clerk. Employee must list hours worked and job completed on time card. Also employee should indicate on card whether the overtime is to be paid in cash or taken as comp time = (time off), failure to designate will result in pay."

**FINDING NUMBER 2003-011
(Continued)**

“Overtime should be recorded on time card the same day it is served and this will be recorded weekly on employee’s records kept by the village office personnel. If employee has no overtime on file in village office, no pay or time off will be issued. This mandate will be effective July 17, 2003.”

“If employee has overtime that was accumulated prior to July 17, 2003, this must be filed in village office by 4 pm on Thursday July 24, 2003. The date earned and job performed will be required with filing.”

The clerk has been unable to provide for audit, any ledger to show that comp time balances are being maintained for employees. Failure to maintain such ledgers violates the Councils 2003 addendum to the Employee handbook, and provides no accurate record to verify that the Village employee’s are being properly compensated for overtime designated as comp time.

FINDING NUMBER 2003-012

Reportable Condition

The Council and Board of Public Affairs were not always aware of their appropriate administrative responsibilities such as reviewing monthly financial records, reviewing monthly reconciliations, reviewing minutes and reviewing payroll and bills. This creates 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 of three weeks;
- Monthly financial reports were not presented to Council 3 of the 12 council meetings and 8 of the 12 BPA meetings;
- 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;
- Vouchers were not maintained in numerical sequence;
- The minutes did not include all significant actions taken by Council;
- Expenditures were posted to improper funds;

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 could result 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 be prepared and submitted to Council. This submission should occur prior to the regular Council meetings so that Council members have an opportunity to review the information and ask informed questions at the Council meetings. Discussion of the monthly financial reports should be documented in the minutes;

**FINDING NUMBER 2003-012
(Continued)**

- 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."
- Village checks should be signed by the Clerk/Treasurer and one Council member. Prior to signing the checks, the Council member should compare the vendor name and amount on the check to the invoice; and
- Vouchers packets should be maintained in numerical sequence.

FINDING NUMBER 2003-013

Reportable Condition

The reconciled cash and deposit balances at December 31, 2003 agreed to the cash journal with reconciling differences. However, the Village Bank reconciliation contains several old or inaccurate reconciling items at year-end and during the audit period.

Old reconciling items include:

- Outstanding checks that are over six months old.
- A duplicate payment to PERS of \$169.44 from 2001.
- An overpayment to Carol Roush for \$40.89 from November 1, 2000.

Carrying old reconciling items significantly increases the likelihood of errors in the reconciliation and reduces the efficiency of the reconciliation process. 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, immaterial reconciling should be properly adjusted and given appropriate approval to remove from the monthly reconciliations. For added accountability, we recommend the Council review all bank reconciliations and financial reports for accuracy and that all reconciling items are legitimate items. Such review should be documented either in the Village minute records or on the actual bank reconciliations.

FINDING NUMBER 2003-014

Noncompliance/Reportable Condition

The Village had the following budgetary violations and weaknesses during 2003:

- Ohio Rev. Code, Section 5705.36, states in part that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Amendments to estimated resources were posted to the system, but were not approved in the minutes to Council.

FINDING NUMBER 2003-014
(Continued)

- Ohio Rev. Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. During 2003 the Village had estimated receipts which exceeded actual receipts in the State Highway by \$508, the Water Operating fund by \$26,575, in the Sewer Operating fund by \$1,906 and the Enterprise Deposit Fund by \$2,850.
- Ohio Rev. Code, Section 5705.40, states any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. Amendments to appropriations were posted to the system, but were not approved in the minutes to Council.
- Ohio Rev. Code, Section 5705.41(B), provides that no subdivision shall make any expenditures of money unless it has been properly appropriated. During 2003, expenditures exceeded appropriations in the Parks & Recreation Fund by \$6,500 and in the Sewer Operating Fund by \$7,891.
- Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. During 2003, appropriations exceeded estimated resources by \$36,000 in the Enterprise Debt Service Fund and by \$66,048 in the Enterprise Debt Service Reserve Fund.

By having weak oversight and the above non-compliance items, the Village significantly increases the risk of negative fund balances, expending more than is available, and the over-appropriation of funds. Management of the Village should take due care to monitor the Villages budgetary receipt and expenditure positions by having the clerk provide Comparison of Budget and Actual Receipts Report and Appropriation Status reports at least quarterly to be reviewed and approved by Council. By regularly monitoring its budgetary position throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

**VILLAGE OF JEFFERSONVILLE
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Funds were not properly certified.	No	Reissued as Finding 2003-004
2002-002	Funds were not deposited timely.	No	Reissued as Finding 2003-005
2002-003	The clerk did not maintain accurate records.	No	Reissued as Finding 2003-006
2002-004	The Village did not post receipts to the proper fund.	No	Reissued as Finding 2003-007
2002-005	The tax commissioner did not enforce payments of all income taxes owed to the municipality.	No	Reissued as Finding 2003-008
2002-006	The clerk overpaid overtime to an employee.	Yes	
2002-007	The Village did not have another individual trained to use UAN in the clerk's absence, and bookkeeping errors occurred without detection.	No	Reissued as Finding 2003-009
2002-008	Weaknesses were noted over payroll.	No	Reissued as Finding 2003-010
2002-009	The Board of Public affairs were not reviewing monthly records.	No	Reissued as Finding 2003-012



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**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
DECEMBER 14, 2004**