

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY
Regular Audit
For the Years Ended December 31, 2011 and 2010**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Port Jefferson
317 Pasco-Montra Road
P.O. Box 159
Port Jefferson, Ohio 45360

We have reviewed the *Independent Accountants' Report* of the Village of Port Jefferson, Shelby County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Port Jefferson is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 11, 2012

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**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 27, 2012

Village of Port Jefferson
Shelby County
100 Spring Street
Port Jefferson, Ohio 45360

To the Village Council:

We have audited the accompanying financial statements of the **Village of Port Jefferson**, Shelby County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as described in paragraph 3, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

Sewer receipts reported in the Village's Enterprise Fund are processed by a service organization that is independent of the Village. This service organization did not provide us with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of the sewer receipts in the amount of \$88,840 during 2011, and \$68,670 during 2010, which represent 100% of the receipts reported in the Enterprise Fund Type line item "Charges for Services" in the Statement of Receipts, Disbursements, and Changes in Fund Balances-Proprietary Fund Type.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding sewer receipts, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Port Jefferson, Shelby County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Port Jefferson adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 7,506	\$ -	\$ 7,506
Intergovernmental	25,414	16,839	42,253
Special Assessments	-	6,249	6,249
Charges for Services	6,626	-	6,626
Fines, Licenses, and Permits	12,928	486	13,414
Earnings on Investments	394	131	525
Miscellaneous	6,772	-	6,772
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,640	23,705	83,345
Cash Disbursements:			
Current:			
Security of Persons and Property	28,563	1,219	29,782
Public Health Services	1,044	-	1,044
Community Environment	128	-	128
Basic Utility Services	1,725	7,412	9,137
Transportation	-	10,216	10,216
General Government	26,513	-	26,513
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	57,973	18,847	76,820
Net Change in Fund Cash Balances	<hr/>	<hr/>	<hr/>
	1,667	4,858	6,525
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	23,312	10,832	34,144
Fund Cash Balances, December 31			
Restricted	-	15,690	15,690
Unassigned	24,979	-	24,979
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 24,979	\$ 15,690	\$ 40,669

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 88,480	\$ -	\$ 88,480
Total Operating Revenues	<u>88,480</u>	<u>-</u>	<u>88,480</u>
Operating Cash Disbursements:			
Contractual Services	<u>16,715</u>	<u>-</u>	<u>16,715</u>
Total Operating Cash Disbursements	<u>16,715</u>	<u>-</u>	<u>16,715</u>
Operating Income	<u>71,765</u>	<u>-</u>	<u>71,765</u>
Non-Operating Cash Receipts(Disbursements):			
Redemption of Principal	(13,348)	-	(13,348)
Interest and Other Fiscal Charges	(39,153)	-	(39,153)
Other Non-Operating Cash Receipts	-	18,826	18,826
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(16,303)</u>	<u>(16,303)</u>
Total Non-Operating Cash Receipts(Disbursements)	<u>(52,501)</u>	<u>2,523</u>	<u>(49,978)</u>
Net Change in Fund Cash Balances	19,264	2,523	21,787
Fund Cash Balances, January 1	<u>45,684</u>	<u>1,090</u>	<u>46,774</u>
Fund Cash Balances, December 31	<u><u>\$ 64,948</u></u>	<u><u>\$ 3,613</u></u>	<u><u>\$ 68,561</u></u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 7,065	\$ -	\$ -	\$ 7,065
Intergovernmental	32,912	23,659	49,142	105,713
Special Assessments	-	6,141	-	6,141
Charges for Services	7,669	-	-	7,669
Fines, Licenses, and Permits	20,532	-	-	20,532
Earnings on Investments	1	-	-	1
Miscellaneous	60	-	-	60
	<u>68,239</u>	<u>29,800</u>	<u>49,142</u>	<u>147,181</u>
Total Cash Receipts				
	<u>68,239</u>	<u>29,800</u>	<u>49,142</u>	<u>147,181</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	27,507	644	-	28,151
Public Health Services	1,067	-	-	1,067
Community Environment	128	7,475	-	7,603
Basic Utility Services	1,751	20,712	-	22,463
General Government	32,631	-	-	32,631
Capital Outlay	-	-	49,142	49,142
	<u>63,084</u>	<u>28,831</u>	<u>49,142</u>	<u>141,057</u>
Total Cash Disbursements				
	<u>63,084</u>	<u>28,831</u>	<u>49,142</u>	<u>141,057</u>
Net Change in Fund Cash Balances	<u>5,155</u>	<u>969</u>	<u>-</u>	<u>6,124</u>
Fund Cash Balances, January 1	<u>18,157</u>	<u>9,863</u>	<u>-</u>	<u>28,020</u>
Fund Cash Balances, December 31	<u>\$ 23,312</u>	<u>\$ 10,832</u>	<u>\$ -</u>	<u>\$ 34,144</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type Enterprise	Fiduciary Fund Type Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Charges for Services	\$ 68,670	\$ -	\$ 68,670
Total Operating Revenues	<u>68,670</u>	<u>-</u>	<u>68,670</u>
Operating Cash Disbursements:			
Contractual Services	<u>17,980</u>	<u>-</u>	<u>17,980</u>
Total Operating Cash Disbursements	<u>17,980</u>	<u>-</u>	<u>17,980</u>
Operating Income	<u>50,690</u>	<u>-</u>	<u>50,690</u>
Non-Operating Cash Receipts(Disbursements):			
Redemption of Principal	(12,240)	-	(12,240)
Interest and Other Fiscal Charges	(40,161)	-	(40,161)
Other Non-Operating Cash Receipts	-	27,460	27,460
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(40,832)</u>	<u>(40,832)</u>
Total Non-Operating Cash Receipts(Disbursements)	<u>(52,401)</u>	<u>(13,372)</u>	<u>(65,773)</u>
Net Change in Fund Cash Balances	(1,711)	(13,372)	(15,083)
Fund Cash Balances, January 1	<u>47,395</u>	<u>14,462</u>	<u>61,857</u>
Fund Cash Balances, December 31	<u><u>\$ 45,684</u></u>	<u><u>\$ 1,090</u></u>	<u><u>\$ 46,774</u></u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Port Jefferson, Shelby County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental services, including maintenance of roads, police services and sewer utilities.

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. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 Funds

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 PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Street Light Fund – This fund receives the proceeds of special assessments to property owners to provide street lighting.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Street Improvement Fund – This fund receives OPWC funds for street improvements.

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 through user charges. The Village had the following significant Enterprise Funds:

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

Sewer Replacement Reserve Fund – This fund receives a portion of the charges for services from residents to accumulate funds for future uses.

5. Fiduciary Funds (Trust and Agency Funds)

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

Mayor's Court Fund – This Agency Fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

F. Fund Balance (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2011</u>	<u>2010</u>
Demand Deposits	<u>\$109,230</u>	<u>\$80,918</u>

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 40,000	\$ 59,640	\$ 19,640
Special Revenue	19,400	23,705	4,305
Enterprise	72,708	88,480	15,772
Total	<u>\$ 132,708</u>	<u>\$ 171,825</u>	<u>\$ 39,717</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,298	\$ 57,973	\$ 5,325
Special Revenue	30,232	18,847	11,385
Enterprise	118,392	69,216	49,176
Total	<u>\$ 211,922</u>	<u>\$ 146,036</u>	<u>\$ 65,886</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,209	\$ 68,239	\$ 22,030
Special Revenue	27,000	29,800	2,800
Capital Projects	52,170	49,142	(3,028)
Enterprise	54,908	68,670	13,762
Total	<u>\$ 180,287</u>	<u>\$ 215,851</u>	<u>\$ 35,564</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 64,366	\$ 63,084	\$ 1,282
Special Revenue	36,863	28,831	8,032
Capital Projects	52,170	49,142	3,028
Enterprise	102,303	70,381	31,922
Total	<u>\$ 255,702</u>	<u>\$ 211,438</u>	<u>\$ 44,264</u>

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

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

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

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

Debt	Principal 12/31/2011	Interest Rate
OWDA	\$24,846	6.39%
Mortgage Revenue Bonds	785,804	4.75%
	<u>\$810,650</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer project. The loan will be repaid in semiannual installments of \$1,765, including interest, over 20 years. The loan is collateralized by sewer receipts.

The Sanitary Sewer System Mortgage Revenue Bonds relate to the construction of the sanitary sewer construction. The loans will be repaid in approximate annual installments of \$49,000, including interest, over 40 years. The bonds are collateralized by sewer receipts.

The Village has not established the system improvement mortgage revenue bond fund and the operation and maintenance fund as required by the mortgage revenue bond covenant.

As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund, included as an enterprise fund. The balance in the fund at December 31, 2011 is \$21,117.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

5. DEBT (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

Year Ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2012	\$ 3,530	\$ 48,945
2013	3,530	48,994
2014	3,530	49,014
2015	3,530	48,906
2016	3,530	48,974
2017-2021	17,650	244,750
2022-2026	7,060	244,817
2027-2031	-	244,789
2032-2036	-	244,834
2037-2041	-	244,835
2042	-	48,918
Total	<u>\$ 42,360</u>	<u>\$ 1,517,776</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village had paid all contributions required through December 31, 2011.

7. RISK MANAGEMENT

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010
(Continued)**

7. RISK MANAGEMENT (Continued)

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$ 12,036,541	\$ 1,355,131	\$ 11,176,186	\$ 1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members’ Equity	<u>\$ 7,191,485</u>	<u>\$ 300,035</u>	<u>\$ 6,323,701</u>	<u>\$ 105,185</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan’s website, www.ohioplan.org.

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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 27, 2012

Village of Port Jefferson
Shelby County
100 Spring Street
Port Jefferson, Ohio 45360

To the Village Council:

We have audited the financial statements of the **Village of Port Jefferson**, Shelby County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 27, 2012, wherein we qualified our opinion because we were unable to satisfy ourselves to the completeness, occurrence, allocation, and rights and obligations of the Enterprise Fund charges for service receipts. Also we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and has adopted Governmental Accounting Standards Board Statement No. 54. Except as discussed in the preceding sentence, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 through 2011-004 as described in the accompanying schedule of audit findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2011-001, 2011-003, and 2011-004.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2012.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Noncompliance/Material Weakness

Posting Receipts and Disbursements

Ohio Revised Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During 2011 and 2010, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- Mayor's Court Agency Fund was not maintained
- Estate Tax and OPWC grant monies were posted as Miscellaneous Revenue rather than Intergovernmental
- Debt payments were posted as Contractual Services rather than Principal and Interest

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2011-002

Material Weakness

Sewer Receipts from the City of Sidney

The Village does not own or operate a sewer system. Village residents are required to connect to the City of Sidney's sewer system through an extension and pump station which was paid for by the Village through government loans. The enterprise fund of the Village is primarily a debt repayment fund except for occasional repairs to the pump station which are performed by the City of Sidney and reimbursed by the Village. The Village delegated sewer system billing and collection to the City of Sidney. Although the Village receives reports from the City of Sidney documenting the residents billed and the amounts collected, the failure of the City of Sidney to obtain a report on the effectiveness of their sewer billing and collection processing internal control policies and procedures limits the Village's ability to reasonably determine that sewer system billings and collections have been completely and accurately processed in accordance with the rates in effect.

We recommend the Village implement procedures to reasonably assure the completeness and accuracy of the sewer billing and collection services performed by the City of Sidney. Statement of Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing of transactions by service organizations. A type 1 or type 2 report is prescribed by SAS No. 70, as amended, should provide the Village with an appropriate level of assurance that sewer system billings and collections are being processed in conformance with the rates in effect.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-003

Noncompliance/Material Weakness

Village of Port Jefferson Ordinance #04-2002 states that the clerk-treasurer of the Village is directed to create the following funds into which the bond proceeds and the revenues and income from the sewer system shall be deposited, the funds shall be established and maintained as long as any bonds remain unpaid:

Sewer System Revenue Fund – the gross income and revenues from the system shall be set aside into a separate fund and monies so deposited therein shall be expended and used only in the manner and order as follows:

1. Operation and Maintenance Fund-There shall be transferred each month from the sewer system revenue fund a sufficient portion of the income and revenues to the operation and maintenance fund, to pay the reasonable and necessary current expenses of operation and maintaining the system for the ensuing month.
2. System Improvement Mortgage Revenue Bond Fund-After the transfer required in (1) above, there shall be transferred each month from the sewer system revenue fund before any other expenditures or transfers therefrom, a sum equal to at least one-twelfth (1/12) (or such larger amount as is necessary) of the sum of the amount of interest due on the next ensuing interest payment date plus the amount necessary to provide for payment of the next ensuing principal maturity. If for any reason there is a failure to make such monthly deposit, then an amount equal to the deficiency shall be set aside and out of the net revenues of the system in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required such succeeding month or months.
3. Reserve Fund-Out of the balance of income and revenue of the system after the transfers required in (1) and (2) above, have been made there shall be set aside and deposited in the reserve fund, the sum of \$409 each month, commencing May 1, 2002, until there is accumulated in such fund the sum of \$49,055 (the minimum reserve) after which no further deposits need to be made into such fund except to replace withdrawals.

The Village is currently maintaining two funds, a revenue fund which pays the sewer debt and routine maintenance costs and a maintenance reserve fund for non-routine expenditures. We recommend the Village either follow the ordinance as approved, or amend the ordinance to the current practices being followed.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-004

Noncompliance/Material Weakness

Ohio Revised Code Section 733.40 requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the Mayor, or which in any manner come into his or her hands, or which are due to such Mayor or a Marshal, Chief of Police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such Mayor for the use of such municipal corporation, shall be paid by Court Clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- Remittances to the Village were not paid to the Village by the first Monday of the month
- Mayor's Court Agency Fund was not maintained
- Mayor's Court checking account was not reconciled to the Mayor's Court Cashbook

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Reclassifications were made to the accompanying financial statements to properly reflect the activity of the Mayor's Court.

We recommend the Village establish a Mayor's Court Agency Fund and distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates. As of the date of our report all payments were paid to the proper entities through 2011.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	ORC Section 5705.41(D) – Certifying expenditures	No	Partially Corrected; issued in Management Letter
2009-002	Sewer Receipts from the City of Sidney	No	Not Corrected; Repeated as Finding 2011-002
2009-003	Sewer System Revenue Funds	No	Not Corrected; Repeated as Finding 2011-003
2009-004	OAC Section 117-2-02(A) – Audit adjustments	No	Not Corrected; Repeated as Finding 2011-001
2009-005	ORC Section 733.40 – Mayor’s Court Receipts Not Promptly Remitted	No	Not Corrected; Repeated as Finding 2011-004



Dave Yost • Auditor of State

VILLAGE OF PORT JEFFERSON

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 23, 2012