

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 27, 2014

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Port Jefferson**, Shelby County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Port Jefferson, Shelby County, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 8,708	\$ -	\$ 8,708
Intergovernmental	17,814	25,561	43,375
Special Assessments	-	6,601	6,601
Charges for Services	4,950	-	4,950
Fines, Licenses and Permits	6,362	12	6,374
<i>Total Cash Receipts</i>	<u>37,834</u>	<u>32,174</u>	<u>70,008</u>
Cash Disbursements			
Current:			
Security of Persons and Property	13,650	21,219	34,869
Public Health Services	827	-	827
Leisure Time Activities	148	-	148
Community Environment	6,471	-	6,471
Basic Utility Services	-	8,477	8,477
General Government	22,991	-	22,991
<i>Total Cash Disbursements</i>	<u>44,087</u>	<u>29,696</u>	<u>73,783</u>
<i>Net Change in Fund Cash Balances</i>	(6,253)	2,478	(3,775)
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	1,230	-	1,230
<i>Total Other Financing Receipts</i>	<u>1,230</u>	<u>-</u>	<u>1,230</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,023)</u>	<u>2,478</u>	<u>(2,545)</u>
<i>Fund Cash Balances, January 1</i>	<u>18,754</u>	<u>13,816</u>	<u>32,570</u>
Fund Cash Balances, December 31			
Restricted	-	16,294	16,294
Unassigned	13,731	-	13,731
<i>Fund Cash Balances, December 31</i>	<u>\$ 13,731</u>	<u>\$ 16,294</u>	<u>\$ 30,025</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 80,917	\$ -	\$ 80,917
<i>Total Operating Cash Receipts</i>	<u>80,917</u>	<u>-</u>	<u>80,917</u>
Operating Cash Disbursements			
Contractual Services	19,448	-	19,448
<i>Total Operating Cash Disbursements</i>	<u>19,448</u>	<u>-</u>	<u>19,448</u>
<i>Operating Income</i>	<u>61,469</u>	<u>-</u>	<u>61,469</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	14,991	-	14,991
Principal Retirement	(14,301)	-	(14,301)
Interest and Other Fiscal Charges	(38,276)	-	(38,276)
Other Non-Operating Cash Receipts	-	496	496
Other Non-Operating Cash Disbursements	-	(496)	(496)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(37,586)</u>	<u>-</u>	<u>(37,586)</u>
<i>Net Change in Fund Cash Balances</i>	23,883	-	23,883
<i>Fund Cash Balances, January 1</i>	<u>86,438</u>	<u>71</u>	<u>86,509</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 110,321</u>	<u>\$ 71</u>	<u>\$ 110,392</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 8,486	\$ -	\$ 8,486
Intergovernmental	19,029	15,680	34,709
Special Assessments	-	6,950	6,950
Charges for Services	4,325	-	4,325
Fines, Licenses and Permits	4,349	9	4,358
Miscellaneous	12,171	-	12,171
<i>Total Cash Receipts</i>	<u>48,360</u>	<u>22,639</u>	<u>70,999</u>
Cash Disbursements			
Current:			
Security of Persons and Property	21,641	-	21,641
Public Health Services	901	-	901
Community Environment	148	-	148
Basic Utility Services	926	6,274	7,200
Transportation	-	17,584	17,584
General Government	30,969	655	31,624
<i>Total Cash Disbursements</i>	<u>54,585</u>	<u>24,513</u>	<u>79,098</u>
<i>Net Change in Fund Cash Balances</i>	(6,225)	(1,874)	(8,099)
<i>Fund Cash Balances, January 1</i>	<u>24,979</u>	<u>15,690</u>	<u>40,669</u>
Fund Cash Balances, December 31			
Restricted	-	13,816	13,816
Unassigned	18,754	-	18,754
<i>Fund Cash Balances, December 31</i>	<u>\$ 18,754</u>	<u>\$ 13,816</u>	<u>\$ 32,570</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 76,843	\$ -	\$ 76,843
<i>Total Operating Cash Receipts</i>	<u>76,843</u>	<u>-</u>	<u>76,843</u>
Operating Cash Disbursements			
Contractual Services	22,748	-	22,748
<i>Total Operating Cash Disbursements</i>	<u>22,748</u>	<u>-</u>	<u>22,748</u>
<i>Operating Income</i>	<u>54,095</u>	<u>-</u>	<u>54,095</u>
Non-Operating Receipts (Disbursements)			
Special Assessments	19,869	-	19,869
Principal Retirement	(13,573)	-	(13,573)
Interest and Other Fiscal Charges	(38,901)	-	(38,901)
Other Non-Operating Cash Receipts	-	292	292
Other Non-Operating Cash Disbursements	<u>-</u>	<u>(3,834)</u>	<u>(3,834)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(32,605)</u>	<u>(3,542)</u>	<u>(36,147)</u>
<i>Net Change in Fund Cash Balances</i>	21,490	(3,542)	17,948
<i>Fund Cash Balances, January 1</i>	<u>64,948</u>	<u>3,613</u>	<u>68,561</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 86,438</u>	<u>\$ 71</u>	<u>\$ 86,509</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, 2013 AND 2012**

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 contracts with the Shelby County Sheriff's department to provide security of persons and property.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits

The Village invests all available funds in checking and savings accounts.

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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. 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 charges for services from residents to accumulate funds for future uses.

Sanitary Sewer Debt Service Fund - This fund receives charges for services from residents to cover the cost of debt payments related to the sewer system.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for:

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, 2013 AND 2012
(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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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.

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand Deposits	<u>\$140,417</u>	<u>\$119,079</u>

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,000	\$ 39,064	\$ 12,064
Special Revenue	23,261	32,174	8,913
Enterprise	77,708	95,908	18,200
Total	\$ 127,969	\$ 167,146	\$ 39,177

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,754	\$ 44,087	\$ 1,667
Special Revenue	37,077	29,696	7,381
Enterprise	164,146	72,025	92,121
Total	\$ 246,977	\$ 145,808	\$ 101,169

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 30,000	\$ 48,360	\$ 18,360
Special Revenue	19,400	22,639	3,239
Enterprise	72,708	96,712	24,004
Total	\$ 122,108	\$ 167,711	\$ 45,603

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 54,965	\$ 54,585	\$ 380
Special Revenue	35,090	24,513	10,577
Enterprise	137,656	75,222	62,434
Total	\$ 227,711	\$ 154,320	\$ 73,391

Contrary to Ohio law, the Village did not properly certify the availability of resources for 100% of non-payroll disbursements.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

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, 2013 is as follows:

Debt	Principal 12/31/2013	Interest Rate
OWDA	\$20,772	6.39%
Mortgage Revenue Bonds	762,400	4.75%
	<u>\$783,172</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 prior audit report did not properly disclose the outstanding balance as of December 31, 2011. The proper amount outstanding as of December 31, 2011 was \$786,200 and the amount disclosed was \$785,804.

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, 2013 is \$31,342.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds
2014	\$ 3,530	\$ 49,014
2015	3,530	48,906
2016	3,530	48,974
2017	3,530	48,909
2018	3,530	49,016
2019-2023	10,589	244,816
2024-2028	-	244,737
2029-2033	-	244,830
2034-2038	-	244,816
2039-2042	-	195,817
Total	<u>\$ 28,239</u>	<u>\$ 1,419,835</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 2013 and 2012, 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, 2013.

7. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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 coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

OPRM coverage programs 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 retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

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

8. MASTER LEASE-PURCHASE AND SUBLEASE AGREEMENT

To provide for the acquisition, construction, equipping, improvement and installing of a new hospital in Bellevue, Ohio and to retire the Bellevue Hospital Series 2003 note, the Village has authorized a master lease-purchase and sublease-purchase agreement dated August 1, 2012, with Fifth Third Bank, and the Bellevue Hospital in a principal amount of \$10,000,000. The agreement includes a statement to the effect that the Village's obligations thereunder, which constitute 'revenue obligations' within the meaning of Section 140.06 of the Act, are not obligations, debt or bonded indebtedness of the Village. As of December 31, 2013 the principal outstanding aggregated \$9,636,828.

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

June 27, 2014

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Port Jefferson**, Shelby County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 27, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-01 through 2013-04 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, opining 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 identified in the accompanying schedule of audit findings as items 2013-02 and 2013-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 27, 2014.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-01

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2013 and 2012, several receipts and disbursements were not posted into the correct fund or accurate receipt and disbursement classifications based on the source of the receipt or nature of the disbursement. The following posting errors were noted:

- Mayor's Court Agency Fund was not maintained
- Debt payments were recorded as Contractual Services rather than Principal and Interest
- Special Assessments were recorded as Charges for Services rather than Special Assessments
- Cable Franchise Fees were recorded as Charges for Services rather than Fines, Licenses and Permits
- Community Center building rental was recorded as Miscellaneous instead of Charges for Services
- Sale of old police equipment was recorded as Miscellaneous instead of Sale of Capital Assets
- Property Tax Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental

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 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

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

FINDING NUMBER 2013-02

Material Weakness/Noncompliance

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-02 (Continued)

Material Weakness/Noncompliance (Continued)

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 2013.

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

FINDING NUMBER 2013-03

Material Weakness/Noncompliance

Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-03 (Continued)

Material Weakness/Noncompliance (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of items tested in 2013 and 100% of items tested in 2012, and there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village could lose budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. Additionally, the fiscal officer should open super blanket purchase orders at the beginning of a contract and carry forward the remaining encumbrances at year so management can see what resources of the Village have been committed.

FINDING NUMBER 2013-04

Material Weakness

Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the General Fund as it is the only fund with a positive unassigned fund balance.

The Village did not prepare the annual financial report in accordance with GASB Statement No. 54. Adjustments were recorded to the 2012 and 2013 financial statements to properly classify the ending fund balances in accordance with GASB Statement No. 54.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

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, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Posting Receipts and Disbursements	No	Not Corrected; Repeated as Finding 2013-01
2011-002	Sewer Receipts from the City of Sidney	Yes	N/A
2011-003	Sewer System Revenue Funds	Yes	N/A
2011-004	ORC Section 733.40 – Mayor’s Court Receipts Not Promptly Remitted	No	Not Corrected; Repeated as Finding 2013-02