



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2017 and 2016
Fiscal Years Audited Under GAGAS: 2017 and 2016



Dave Yost • Auditor of State

Village Council
Village of Port Jefferson
100 Spring Street
Port Jefferson, Ohio 45360

We have reviewed the *Independent Auditor's Report* of the Village of Port Jefferson, Shelby County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of 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 31, 2018

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Village of Port Jefferson
Shelby County
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INDEPENDENT AUDITOR'S REPORT

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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Port Jefferson, Shelby County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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 such 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 opinions.

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

As described in Note 1 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, and the respective changes in financial position 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Port Jefferson, Shelby County as of December 31, 2017 and 2016, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, 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.



BHM CPA Group, Inc.
Piketon, Ohio
September 25, 2018

**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, 2017**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 9,256	\$ 2,826	\$ 12,082
Intergovernmental	17,313	17,165	34,478
Special Assessments	-	7,465	7,465
Charges for Services	3,080	-	3,080
Fines, Licenses, and Permits	6,782	66	6,848
Earnings on Investments	99	-	99
Miscellaneous	13,023	1,918	14,941
	<u>49,553</u>	<u>29,440</u>	<u>78,993</u>
Total Cash Receipts			
	<u>49,553</u>	<u>29,440</u>	<u>78,993</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,842	1,347	6,189
Public Health Services	603	4,365	4,968
Community Environment	148	-	148
Basic Utility Services	1,042	7,448	8,490
Transportation	-	17,788	17,788
General Government	23,106	-	23,106
Capital Outlay	5,395	-	5,395
Debt Service:			
Redemption of Principal	4,473	-	4,473
Interest and Fiscal Charges	157	-	157
	<u>39,766</u>	<u>30,948</u>	<u>70,714</u>
Total Cash Disbursements			
	<u>39,766</u>	<u>30,948</u>	<u>70,714</u>
Excess of Receipts Over/(Under) Disbursements	9,787	(1,508)	8,279
Other Financing Receipts (Disbursements):			
Loan Proceeds	5,395	-	5,395
	<u>5,395</u>	<u>-</u>	<u>5,395</u>
Total Other Financing Receipts (Disbursements)			
	<u>5,395</u>	<u>-</u>	<u>5,395</u>
Net Change in Fund Cash Balances	15,182	(1,508)	13,674
Fund Cash Balances, January 1	2,824	21,500	24,324
	<u>2,824</u>	<u>21,500</u>	<u>24,324</u>
Fund Cash Balances, December 31			
Restricted	-	19,992	19,992
Unassigned (Deficit)	18,006	-	18,006
	<u>18,006</u>	<u>-</u>	<u>18,006</u>
Fund Cash Balances, December 31			
	<u>\$ 18,006</u>	<u>\$ 19,992</u>	<u>\$ 37,998</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, 2017**

	Proprietary Fund Types	Fiduciary Fund Types
	Enterprise	Agency
Operating Cash Receipts:		
Charges for Services	\$ 76,090	\$ -
Total Operating Cash Receipts	76,090	-
Operating Cash Disbursements:		
Contractual Services	16,963	-
Total Operating Cash Disbursements	16,963	-
Operating Income (Loss)	59,127	-
Non-Operating Receipts (Disbursements)		
Special Assessments	11,440	-
Other Non-Operating Receipts	-	3,239
Other Non-Operating Disbursements	-	(2,916)
Principal Retirement	(17,218)	-
Interest and Fiscal Charges	(34,880)	-
Total Non-Operating Cash Receipts (Disbursements)	(40,658)	323
Net Change in Fund Cash Balances	18,469	323
Fund Cash Balances, January 1	154,022	-
Fund Cash Balances, December 31	\$ 172,491	\$ 323

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 directs the Village. The Village provides general governmental services, street maintenance and repair, and sewer utilities. The Village contracts with the Shelby County Sheriff's Department to provide police services and the Port Jefferson Community Fire Company to provide fire protection services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Plan Risk Management, Inc.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village's funds are deposited in a checking and savings account.

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.

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Enterprise Funds

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

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

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

Sewer Reserve Fund - This fund receives charges for services from residents to accumulate funds for future use.

4. Fiduciary Funds

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

Agency funds are purely custodian 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 had the following Agency Fund:

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

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 approve estimated resources.

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2017 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.

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2017</u>
Demand deposits	\$210,812

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,345	\$54,948	\$14,603
Special Revenue	24,319	29,440	5,121
Enterprise	77,708	87,530	9,822
Total	\$142,372	\$171,918	\$29,546

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,177	\$39,766	\$3,411
Special Revenue	45,614	30,948	14,666
Enterprise	226,856	69,061	157,795
Total	\$315,647	\$139,775	\$175,872

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan	\$12,285	6.39%
USDA Mortgage Revenue Bonds	707,700	4.75%
Vehicle Loan	922	5.50%
Total	\$720,907	

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 United States Department of Agriculture (USDA) Mortgage Revenue Bonds relates to the construction of the sanitary sewer. The bonds will be repaid in approximate annual installments of \$49,000, including interest, over 40 years. The bonds are collateralized by sewer receipts.

As required by the 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, 2016 is \$44,156.

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

Year ending December 31:	OWDA Loan	Mortgage Revenue Bonds	Vehicle Loan
2018	\$ 3,529	\$ 49,016	\$ 926
2019	3,529	48,984	-
2020	3,529	48,920	-
2021	3,529	48,922	-
2022	-	48,986	-
2023-2027	-	244,792	-
2028-2032	-	244,805	-
2033-2037	-	244,858	-
2038-2042	-	244,756	-
Total	\$ 14,116	\$1,224,039	\$926

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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 the benefits of this plan, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village has not paid all required contributions through December 31, 2017.

7. RISK MANAGEMENT

Risk Pool Membership

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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017.

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</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, 2017, the principal outstanding aggregated \$8,874,720.

**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, 2016**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 9,857	\$ 2,953	\$ 12,810
Intergovernmental	17,999	18,252	36,251
Special Assessments	-	6,473	6,473
Charges for Services	2,825	-	2,825
Fines, Licenses, and Permits	4,412	-	4,412
Earnings on Investments	146	62	208
Miscellaneous	1,684	11,100	12,784
	<u>36,923</u>	<u>38,840</u>	<u>75,763</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	12,100	-	12,100
Public Health Services	605	-	605
Community Environment	148	2,953	3,101
Basic Utility Services	903	6,487	7,390
Transportation	-	14,306	14,306
General Government	20,202	340	20,542
Capital Outlay	-	11,874	11,874
	<u>33,958</u>	<u>35,960</u>	<u>69,918</u>
Total Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements	2,965	2,880	5,845
Fund Cash Balances, January 1	<u>(141)</u>	<u>18,620</u>	<u>18,479</u>
Fund Cash Balances, December 31			
Restricted	-	21,500	21,500
Unassigned (Deficit)	2,824	-	2,824
	<u>2,824</u>	<u>-</u>	<u>2,824</u>
Fund Cash Balances, December 31	<u>\$ 2,824</u>	<u>\$ 21,500</u>	<u>\$ 24,324</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 FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 77,031
Total Operating Cash Receipts	77,031
Operating Cash Disbursements:	
Contractual Services	24,628
Total Operating Cash Disbursements	24,628
Operating Income (Loss)	52,403
Non-Operating Receipts (Disbursements)	
Special Assessments	13,373
Principal Retirement	(16,459)
Interest and Fiscal Charges	(33,879)
Total Non-Operating Cash Receipts (Disbursements)	(36,965)
Net Change in Fund Cash Balances	15,438
Fund Cash Balances, January 1	138,584
Fund Cash Balances, December 31	\$ 154,022

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 directs the Village. The Village provides general governmental services, street maintenance and repair, and sewer utilities. The Village contracts with the Shelby County Sheriff's Department to provide police services and the Port Jefferson Community Fire Company to provide fire protection services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Plan Risk Management, Inc.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Village's funds are deposited in a checking and savings account.

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.

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

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Enterprise Funds

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

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

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

Sewer Reserve Fund - This fund receives charges for services from residents to accumulate funds for future use.

4. Fiduciary Funds

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

Agency funds are purely custodian 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 had the following Agency Fund:

Mayor's Court Fund – This fund receives fines from police department citations. These monies are divided between the Village and the State, as prescribed by law. The fund had no activity during 2016.

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 approve estimated resources.

VILLAGE OF PORT JEFFERSON
SHELBY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2016 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.

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2016</u>
Demand deposits	\$178,346

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,037	\$36,923	\$4,886
Special Revenue	35,150	38,840	3,690
Enterprise	77,708	90,404	12,696
Total	\$144,895	\$166,167	\$21,272

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,365	\$33,958	\$3,407
Special Revenue	39,544	35,960	3,584
Enterprise	211,420	74,966	136,454
Total	\$288,329	\$144,884	\$143,445

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan	\$14,903	6.39%
USDA Mortgage Revenue Bonds	722,300	4.75%
Total	\$737,203	

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 United States Department of Agriculture (USDA) Mortgage Revenue Bonds relates to the construction of the sanitary sewer. The bonds will be repaid in approximate annual installments of \$49,000, including interest, over 40 years. The bonds are collateralized by sewer receipts.

As required by the 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, 2016 is \$44,156.

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

Year ending	Mortgage	
December 31:	OWDA Loan	Revenue Bonds
2017	\$ 3,529	\$ 48,909
2018	3,529	49,016
2019	3,529	48,984
2020	3,529	48,920
2021	3,529	48,922
2022-2026	-	244,818
2027-2031	-	244,790
2032-2036	-	244,834
2037-2041	-	244,837
2042	-	48,918
Total	\$ 17,645	\$1,272,948

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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 the benefits of this plan, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village has not paid all required contributions through December 31, 2016.

7. RISK MANAGEMENT

Risk Pool Membership

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.

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. Until November 1, 2016, the OPRM retained 47% 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, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	2016
Assets	\$ 14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</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, 2016, the principal outstanding aggregated \$8,874,720.



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

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 cash balances, receipts, and disbursements by fund type of the Village of Port Jefferson, Shelby County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 25, 2018 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 findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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. We consider findings 2017-001 and 2017-002 described in the accompanying schedule of findings to be material weaknesses.

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 2017-004 and 2017-005 described in the accompanying schedule of findings to be a significant deficiencies.

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 described in the accompanying schedule of findings as items 2017-003, 2017-006 and 2017-007.

Village's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 report is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
September 25, 2018

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

MATERIAL WEAKNESS – FINANCIAL STATEMENT ERRORS

The Village's 2016 and 2017 financial statements contained various errors. The Village's financial statements and records were adjusted to correct the following errors:

- Property taxes, special assessments, and intergovernmental receipts were posted incorrectly to the records and/or financial statements as follows:
 - In 2016, intergovernmental receipts in the amount of \$2,336 was incorrectly posted as Income Taxes instead of intergovernmental revenue in the Street Fund.
 - In 2016, intergovernmental receipts in the amount of \$189 was incorrectly posted as Income Taxes instead of intergovernmental revenue in the Highway Fund.
 - In 2016, intergovernmental revenue in the amount of \$1,875, was incorrectly posted as miscellaneous revenue in the Highway Fund.
 - In 2017, property tax revenue in the amount of \$2,826, was incorrectly posted as miscellaneous revenue in the Fire Fund.
 - In 2017, intergovernmental revenue in the amount of \$593, was incorrectly posted as miscellaneous revenue in the Fire Fund.
- In 2016 and 2017, cable franchise fees in the amounts of \$4,337 and \$4,321, respectively, were incorrectly recorded as charges for services instead of Fines, Licenses, and Permits in the General Fund.
- In 2016 and 2017, the Village recorded principal and interest payments of \$50,338 and \$52,098, respectively, as a contractual service expenditure rather than to the proper principal and interest line item.
- In 2016, the Village recorded principal and interest payments of \$4,630, as a Security of Person and Property expenditure rather than to the proper principal and interest line item in the General Fund.
- In 2016, the Village recorded Street Construction Maintenance and Repair Fund expenditures as general government rather than transportation in the amount of \$13,752.
- In 2016, the Village recorded Sewer Fund expenditures as supplies and materials rather than contractual services in the amount of \$24,628.

Failure to properly record and classify on the financial statements revenues and expenditures could lead to misleading financial statement information and financial statement adjustments.

The Village should implement procedures to record transactions correctly and account for activity correctly on the annual financial statements. To assist in this process, the Village should review the Village Handbook and consider utilizing an automated accounting system such as the Uniform Accounting Network (UAN).

Officials' Response: The Fiscal Officer will take more care to make sure posting are in correct funds with correct amounts.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

FINDING NUMBER 2017-002

MATERIAL WEAKNESS – FUND BALANCE CLASSIFICATIONS

The Village's 2016 and 2017 annual financial statements were adjusted for the following errors related to fund balance reporting:

- GASB Statement 54, paragraph 8 (GASB Codification 1800.168) states, in part, that fund balance should be reported as restricted when constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. The Village's special revenue fund balances met this classification; however, nearly all such fund balances were incorrectly classified as unassigned for 2016 and 2017 in the adjusted amounts of \$21,500 and \$19,992, respectively.

Failure to properly classify fund balances could lead to misstated financial statements and misleading financial statement information.

The Village should perform a review of all Village funds and determine proper reporting of fund balances in accordance with GASB Statement 54 and Auditor of State Bulletin 2011-004 requirements.

Officials' Response: The Fiscal Officer will take more care to make sure posting are in correct funds with correct amounts.

FINDING NUMBER 2017-003

NONCOMPLIANCE

Ohio Rev. Code § 9.38 provides that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited..

During testing of mayor's court receipts in 2017 we noted instances where receipts were not deposited timely and not in compliance with Ohio Rev. Code § 9.38.

We recommend that Village review Ohio Rev. Code § 9.38 and implement the necessary controls to meet the provisions outlined in Ohio Rev. Code § 9.38.

Officials' Response: We did not receive a response from officials regarding this finding.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

FINDING NUMBER 2017-004

SIGNIFICANT DEFICIENCY – BANK RECONCILIATIONS

Accurate reconciliation procedures are a key component of an effective accounting system required to enable the Village to properly classify transactions, maintain accountability for funds, distribute funds accurately, and detect fraud and errors in a timely manner.

We noted the following reconciling issues:

- During 2017 we noted that reconciliations were not being prepared for the mayors court bank account.

Untimely recording of transactions and inaccurate reconciliations reduce management's ability to monitor of Village's assets and funds and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the Village address the above conditions and ensure that monthly reconciliations are performed timely and all variances between the book and the bank are identified and resolved during the reconciliation process. We also recommend that the monthly reconciliations be included in the financial packet presented to the Council and that Council review and sign off on these reconciliations noting this review and approval. We further recommend that all transactions be posted to the accounting system timely.

Officials' Response: We did not receive a response from officials regarding this finding.

FINDING NUMBER 2017-005

SIGNIFICANT DEFICIENCY – COUNCIL MONITORING

To assist in the management of financial resources, a governing body should periodically review and approve financial information. In addition, to help ensure accountability over recorded activity and depository balances, the governing body should review and approve monthly bank-to-book reconciliations and bank statements.

Monthly bills and supporting documentation were provided to the Village Council during the audit period and were approved, as documented in the minutes; however, there was no evidence that the Village County reviewed and approved monthly revenue and expenditure reports or bank statements and bank reconciliations.

It is imperative for Village Council to provide an oversight function in an entity that lacks segregation of duties as all accounting functions are controlled by one individual, the Fiscal Officer. The failure of the Council to monitor the financial activity of the Village could result in financial objectives not being achieved; violation of Ohio Rev. Code or grant requirements; or errors and/or irregularities occurring and not being detected in a timely manner.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

**FINDING NUMBER 2017-005
(Continued)**

The Village should implement monitoring procedures that require the monthly review of financial reports such as budget versus actual revenue and expenditure reports and fund balance reports, along with review of monthly bank-to-book reconciliations accompanied with bank statements. Evidence of the review and approval of financial reports should be indicated by signatures or initials on the documents reviewed and/or approval in the minutes.

Officials' Response: We did not receive a response from officials regarding this finding.

FINDING NUMBER 2017-006

NONCOMPLIANCE

Ohio Revised Code section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto.

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 Section 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment or 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 Village.
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 Village 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. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 and 2016**

**FINDING NUMBER 2017-006
(Continued)**

The Village's Fiscal Officer did not certify the availability of funds prior to making commitments for 77% of disbursements tested in 2016 and 72% of disbursements tested in 2017. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Village's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

Fiscal Officer will issue "Then and Now" purchase order when necessary to show sufficient funds were available.

FINDING NUMBER 2017-007

NONCOMPLIANCE

The law requires that employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. §3102(a) and §3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. §7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008). 26 U.S.C. Section 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

All Village Council members had no withholdings made on their pay during either 2017 or 2016. Total wages paid to Council members during 2017 and 2016 were \$2,700 and \$2,385, respectively. Council members were paid on a per-meeting basis and were therefore not eligible for membership in the Ohio Public Employees Retirement System. However, the Village is required to withhold and remit Social Security and Medicare taxes on the wages of all Council members to the Internal Revenue Service (IRS). The Village is also required to withhold and remit Medicare taxes on the wages of all employees to the IRS. Additionally, the Village is required to pay the employer share related to Social Security and Medicare.

Failure to withhold and remit required tax withholdings to the appropriate agencies as required by law could lead to the full amount due (employee and employer share), including interest and penalties, becoming an obligation of the Village.

The Village should implement policies and procedures to verify that all required withholdings are made from employee wages and remitted, including the required employer share, to the appropriate agencies. Additionally, the Village should verify that a W-2 form is prepared and sent to each employee and elected official of the Village if wages are paid in any given year.

Client Response:

The Client did not provide a response for the above finding.

**VILLAGE OF PORT JEFFERSON
SHELBY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Noncompliance / Finding for Recovery	Corrected	
2015-002	Material Weakness – Financial Statement errors	Not Corrected	Reissued as Finding 2017-001
2015-003	GASB 54 - Fund Balance Classifications	Not Corrected	Reissued as Finding 2017-002
2015-004	Noncompliance / Material Weakness – ORC 117.13(C)(3)	Corrected	
2015-005	Noncompliance – 26 U.S.C. 3102(a) and 26 U.S.C. 5701(a).	Not Corrected	Reissued as Finding 2017-007
2015-006	Noncompliance – ORC 145.47 and ORC 145.48	Corrected	
2015-007	Significant Deficiency – Council Monitoring	Not Corrected	Reissued as Finding 2017-005



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
NOVEMBER 15, 2018