





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jefferson Regional Water Authority Montgomery County 1230 Soldiers Home Miamisburg Road Miamisburg, Ohio 45342

We have performed the procedures enumerated below, which were agreed to by the Board of Trustees and the management of Jefferson Regional Water Authority (the Authority), on the receipts, disbursements and balances recorded in the Authority's cash basis accounting records for the years ended December 31, 2016 and 2015 and certain compliance requirements related to those transactions and balances, included in the information provided to us by the management of the Authority. The Authority is responsible for the receipts, disbursements and balances recorded in the cash basis accounting records for the years ended December 31, 2016 and 2015 and certain compliance requirements related to these transactions and balances included in the information provided to us by the Authority. The sufficiency of the procedures is solely the responsibility of the parties specified in this report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Cash and Investments

- 1. We recalculated the December 31, 2016 and December 31, 2015 bank reconciliations. We found no exceptions.
- 2. We agreed the January 1, 2015 beginning balance recorded in the GL Summary Report to the December 31, 2014 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2016 beginning balance recorded in the GL Summary Report to the December 31, 2015 balances in the GL Summary Report. We found no exceptions.
- 3. We agreed the totals per the bank reconciliations to the total of the December 31, 2016 and 2015 cash balances reported in the GL Summary Report. The amounts agreed.
- 4. We confirmed the December 31, 2016 bank account balances with the Authority's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2016 bank reconciliation without exception.

Cash and Investments (Continued)

- 5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2016 bank reconciliation:
 - a. We traced each debit to the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and dates to the check register, to determine the debits were dated prior to December 31. There were no exceptions.
- 6. We selected three reconciling credits (such as deposits in transit) haphazardly from the December 31, 2016 bank reconciliation:
 - a. We traced each credit to the subsequent January bank statement. We found no exceptions.
 - b. We agreed the credit amounts to the General Fund Ledger. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
- We traced interbank account transfers occurring in December of 2016 and 2015 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.
- 8. We inspected investments held at December 31, 2016 and December 31, 2015 to determine that they were of a type authorized by Ohio Rev. Code Section 6119.16. We found no exceptions.

Charges for Services

- 1. We haphazardly selected 10 water collection cash receipts from the year ended December 31, 2016 and 10 water collection cash receipts from the year ended 2015 recorded in the Payment Edit List Report and:
 - a. Agreed the receipt amount per the Payment Edit List Report agreed to the amount recorded to the credit of the customer's account in the Customer Maintenance Bill Pay History. The amounts agreed.
 - b. Determined the amount charged for the related billing period:
 - i. Agreed with the debit to accounts receivable in the Customer Maintenance Bill Pay History for the billing period. We found no exceptions.
 - ii. Complied with rates in force during the audit period multiplied by the consumption amount recorded for the billing period, plus any applicable late penalties, plus unpaid prior billings. We found no exceptions.
 - c. Determined the receipt was posted to the proper fund, and was recorded in the year received. We found no exceptions.
- 2. We inspected the Aged Trial Balance Report.
 - a. The report listed \$40,589 and \$39,193 of accounts receivable as of December 31, 2015 and 2015, respectively.
 - b. Of the total receivables reported in step 2a, \$11,712 and \$6,332 were recorded as more than 90 days delinquent as of December 31, 2016 and 2015, respectively.

Debt

1. From the prior audit-documentation, we observed the following loans as of December 31, 2014. These amounts agreed to the Authority's January 1, 2015 balances on the summary we used in step 3.

Issue	Principal outstanding as of December 31, 2014:
OWDA Loan - 1637	\$85,505
OWDA Loan - 4026	\$174,032
OWPC Loan - CD07F	\$129,576
USDA Loan	\$860,000

- We inquired of management, and inspected the Check Register Report, Cash Disbursement Report, and General Ledger Journal Report for evidence of debt issued during 2016 or 2015 or debt payment activity during 2016 or 2015. All debt noted agreed to the summary we used in step 3, and we noted no new debt issuances during 2016 or 2015.
- 3. We obtained a summary of loan activity for 2016 and 2015 and agreed principal and interest payments from the related debt amortization schedules to debt service account code payments reported in the Check Register Report, Cash Disbursement Report, and General Ledger Journal Report. We also compared the date the debt service payments were due to the date the Authority made the payments. We found no exceptions.

Payroll Cash Disbursements

- 1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for five employees from 2015 from the Payroll Journal Report and:
 - a. We compared the hours and pay rate, or salary amount recorded in the Payroll Journal Report to supporting documentation (timecard, or legislatively approved rate or salary). We found no exceptions.
 - b. We inspected the Payroll Journal Report to confirm whether the account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the employees' personnel files and minute record. We also confirmed the payment was posted to the proper year. We found no exceptions.
- 2. We inspected the last remittance of tax and retirement withholdings for the year ended December 31, 2016 to confirm whether remittances were timely paid, and if the amounts paid agreed to the amounts withheld, plus the employer's share where applicable, during the final withholding period of 2016. We noted the following:

Withholding (plus employer share, where applicable)	Date Due	Date Paid	Amount Due	Amount Paid
Federal income taxes & Medicare	January 31, 2017	January 13, 2017	\$2,755.58	\$2,755.58
State income taxes	January 30, 2017	January 13, 2017	\$519.06	\$519.06
Local and school district income taxes	January 30, 2017	January 13, 2017	\$642.22	\$642.22
OPERS retirement	January 30, 2017	January 13, 2017	\$3,882.71	\$3,882.71

Non-Payroll Cash Disbursements

- 1. We haphazardly selected ten disbursements from the Check Register and Cash Disbursement Report for the year ended December 31, 2016 and ten from the year ended 2015 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions. However, we found two instances where an Authority employee used her personal Kroger Plus card to make purchases with the Authority's credit card that were for a proper public purpose, but this person received Kroger Plus fuel points for these purchases. Ohio Rev. Code Section 102.03(D) provides that no public official or employee shall use or authorize the use of the Authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties. Additionally, Ohio Rev. Code Section 102.03(E) states that no public official or employee shall solicit or accept anything of value that is of such character as to manifest a substantial and improper influence upon the public employee with respect to that person's duties.

The term "anything of value" is defined to include money and every other thing of value. Discounts on future purchases and other things of value offered as reward program incentives are considered things of value.

Reward program benefits are of such a character as to manifest a substantial and improper influence upon the employee with respect to their duties. It is foreseeable that a public employee could select a particular vendor from which to make purchases in order to accumulate rewards benefits on their personal rewards card and, by doing so, create a higher expense for their public agency. The Authority should establish and adopt a formal policy concerning the use of personal rewards cards while making Authority purchases. Failure to have a policy on such purchases could result in findings for recovery in future audits as well as referrals to the Ohio Ethics Commission.

- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Check Register Report and Cash Disbursement Report and to the names and amounts on the supporting invoices. We found no exceptions.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found nineteen instances of purchase orders not having an approval date. We also found one instance of a purchase order not being signed. Because we did not inspect all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred.

Compliance - Budgetary

1. We compared the total budgeted receipts from the approved budget required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.36(A)(1) to the amounts recorded in the accounting system. The Authority's accounting system did not incorporate budgeted receipts to use in comparisons of budgeted and actual receipt information. The Authority should incorporate budgeted receipt information into its accounting system in order to track and appropriately react and revise budgeted amounts to variations in receipts actually received when compared to the budgeted amounts.

Compliance – Budgetary (Continued)

- 2. We inspected the appropriation measures adopted for 2016 and 2015 to determine whether the Trustees appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Sections 5705.28(B)(2) and 5705.38(C). We found no exceptions.
- 3. We compared total appropriations required by Ohio Rev. Code Sections 5705.28(B)(2), 5705.38 and 5705.40, to the amounts recorded in the Spreadsheet of Budget for 2016 and 2015. The amounts on the appropriation resolutions agreed to the amounts recorded in the Spreadsheet of Budget. However, the Spreadsheet of Budget was separate from the Authority's accounting system, and the Spreadsheet of Budget or the accounting system did not track budgeted versus actual expenditure information. Ohio admin. Code Section 117-2-02(d) and (e) state, in part, that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides. and should consider the degree of automation and other factors. Such records should include an appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns. Not tracking budgeted expenditures could lead to overspending and potential negative fund balances. Additionally, tracking budgetary data can provide useful information to management and the Authority's Board. The Authority should include the required accounting records in its system and post the appropriations and amendments to such as they are adopted.
- 4. Ohio Rev. Code Section 5705.28(B)(2)(c) prohibits appropriations from exceeding the estimated revenue available for expenditure (receipts plus beginning unencumbered cash). We compared total appropriations to total estimated revenue for the years ended December 31, 2016 and 2015. Appropriations did not exceed estimated revenue.
- 5. Ohio Rev. Code Sections 5705.28(B)(2)(c) and 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2016 and 2015, as recorded in the Budget Spreadsheet provided by the Authority. Appropriations did not exceed expenditures.
- 6. We inspected the GL Summary by Fund Report for the years ended December 31, 2016 and 2015 for negative cash fund balance. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. We noted no funds having a negative cash fund balance.

Other Compliance

1. Ohio Rev. Code Section 117.38 requires entities to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. We confirmed the Authority filed their complete financial statements, as defined by AOS Bulletin 2016-007 within the allotted timeframe for the years ended December 31, 2016 and 2015. No exceptions were noted for the year ended December 31, 2015; however, financial information for the year ended December 31, 2016 was filed on March 16, 2017, which was not within the allotted time frame.

This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Authority's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is for the use of the Authority to assist in evaluating its receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2016 and 2015, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose

Dave Yost Auditor of State

Columbus, Ohio

May 18, 2017



JEFFERSON REGIONAL WATER AUTHORITY

MONTGOMERY 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.

CLERK OF THE BUREAU

Susan Babbitt

CERTIFIED JUNE 1, 2017