



Dave Yost • Auditor of State





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Village of Jefferson  
Ashtabula County  
27 East Jefferson Street  
Jefferson, Ohio

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Jefferson (the "Village") have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 and 2011 and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. 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*. 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

1. We tested the mathematical accuracy of the December 31, 2012 and December 31, 2011 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2011 beginning fund balances recorded in the Statement of Cash Position report to the December 31, 2010 balances in the prior year audited statements. We found no exceptions. We also agreed the January 1, 2012 beginning fund balances recorded in the Statement of Cash Position report to the December 31, 2011 balances in the Statement of Cash Position report. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2012 and 2011 fund cash balances reported in the Statement of Cash Position Reports. The amounts agreed.
4. We confirmed the December 31, 2012 StarOhio and First Merit bank account balances with the Village's financial institutions. We found no exceptions. We also agreed the confirmed balances to the amounts appearing in the December 31, 2012 bank reconciliation without exception.
5. We selected five reconciling debits (such as outstanding checks) haphazardly from the December 31, 2012 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. We noted no exceptions.

### **Cash (Continued)**

6. We selected two reconciling credits (such as deposits in transit) haphazardly from the December 31, 2012 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 Receipts Register. Each credit was recorded as a December receipt for the same amount recorded in the reconciliation.
7. We tested interbank account transfers occurring in December of 2012 to determine if they were properly recorded in the accounting records and on each bank statement. We found no exceptions.

### **Property Taxes, Intergovernmental and Other Confirmable Cash Receipts**

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the "*Statement*") for 2012 and one from 2011:
  - a. We traced the gross receipts from the *Statement* to the amount recorded in the Revenue Audit Trail Report. The amounts agreed.
  - b. We determined whether the receipt was allocated to the proper fund(s) as required by Ohio Revised Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
  - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Revenue Audit Trail Report to determine whether it included two real estate tax receipts for 2012 and 2011. We noted the Revenue Audit Trail Report included the proper number of tax receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2012 and five from 2011. We also selected five receipts from the County Auditor's Vendor History Report from 2012 and five from 2011.
  - a. We compared the amount from the above reports to the amount recorded in the Revenue Audit Trail Reports. The amounts agreed.
  - b. We determined whether these receipts were allocated to the proper funds. We found no exceptions.
  - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.

### **Income Tax Receipts**

1. We compared the allocation of income tax receipts for the years ended December 31, 2012 and 2011 to the Village's funds according to the allocation requirements of Ordinance No. 05-0-2623. The allocation agreed with the percentages the Ordinance requires.
2. We selected five income tax returns filed during 2012 and five from 2011.
  - a. We compared the payment amount recorded on the tax return to the amount recorded on the batch amount. The amounts agreed.
  - b. We compared the batch amount from step a. to the amount recorded as income tax receipts in the Revenue Audit Trail Report for that date. The amounts agreed.

### **Income Tax Receipts (Continued)**

3. We determined whether the receipts were recorded in the year received. We found no exceptions.
4. We selected five income tax refunds from 2012 and five from 2011.
  - a. We compared the refund paid from the Expense Audit Trail Report to the refund amount requested in the tax return. The amounts agreed.
  - b. We noted each of the refunds were approved by the Income Tax Clerk.
  - c. We noted the refunds were paid from the General Fund, Safety Service Fund and Capital Improvement Fund as outlined in the ordinance

### **Charges for Services - Sewer Fund**

1. We haphazardly selected 10 Sewer Fund Collection cash receipts from the year ended December 31, 2012 and 10 Sewer Fund Collection cash receipts from the year ended 2011 recorded in the Receipt Register Report and determined whether the:
  - a. Receipt amount per the Utilities/Billing Cycle Receipts Journal agreed to the amount recorded to the credit of the customer's account in the Utilities/Billing Journal. The amounts agreed.
  - b. Amount charged for the related billing period:
    - i. Agreed with the debit to accounts receivable in the Utilities/Billing Cycle Receipts Journal 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. Receipt was posted to the proper funds, and was recorded in the year received. We found no exceptions.
2. We read the Utilities/Billing Trial Balance Report:
  - a. We noted this report listed \$31,529.44 of accounts receivable as of December 31, 2012. The Village did not have an Accounts Receivable report as of December 31, 2011.
  - b. Of the total receivables reported in the preceding step, we were unable to determine the dollar amount of those accounts more than 90 days delinquent. The Village does not run an aged Accounts Receivable report.
3. We read the Utilites/Billing Adjustment Journal.
  - a. We noted this report listed a total of \$28,809.96 and \$40,134.73 non-cash receipt adjustments for the years ended December 31, 2012 and 2011, respectively.
  - b. The non-cash adjustments are verbally approved by Terry Finger, Administrator.

**Debt**

1. From the prior audit documentation, we noted the following bonds, notes, loans and leases outstanding as of December 31, 2010. These amounts did not agree to the Villages January 1, 2011 balances on the summary we used in step 3.

<b>Issue</b>	<b>Principal outstanding as of December 31, 2010:</b>
<b>GA</b>	
GOB – Recreation Facility Bonds	\$910,000
GON – West Cedar Street S/A Notes	\$201,526
ODOT State Infrastructure Note – West Mulberry Improvements	\$397,837
OPW Commission Loans – West Mulberry Street Improvements	\$142,500
OPW Commission Loans – West Mulberry Street Improvements	\$134,426
Capital Lease Obligations	\$177,529
<b>BTA</b>	
OWD Authority Loans – Sewer Construction Loan #2298	\$714,104
OWD Authority Loans – Sewer Construction Loan #2299	\$11,181
OWD Authority Loans – SR 46 Sewer Extension Loan #4741	\$240,367
OWD Authority Loans – SR 46 Sewer Extension Loan #5339	\$42,628
OWP Commission Loans – Elm Street Lift Station	\$30,000
OPW Commission Loans – WWTP Upgrades	\$392,160
Capital Lease Obligations	\$39,260
Total Debt Outstanding	\$3,433,518

2. We inquired of management, and scanned the Revenue Audit Trail and Expense Audit Trail Report for evidence of debt issued during 2012 or 2011 or debt payment activity during 2012 or 2011. These amounts did not agree to the Village's January 1, 2011 balances on the summary we used in step 3.
3. We obtained a summary of bonded and note debt activity for 2012 and 2011 and agreed principal and interest payments from the related debt amortization schedules to debt service fund payments reported in the Expense Audit Trail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We were not able to agree to the IPA's ending balances. We met with the Treasurer and went over the debt schedule with her and her figures did not agree with that of the IPA. She went through her records and created a spreadsheet with the ending balances of all her debt.

**Payroll Cash Disbursements**

1. We haphazardly selected one payroll check for five employees from 2012 and one payroll check for five employees from 2011 from the Year to Date Payroll Register and:
  - a. We compared the hours and pay rate, or salary recorded in the Payroll Register to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
  - b. We determined whether the fund and account code(s) to which the check was posted were reasonable based on the employees' duties as documented in the ordinances. We also determined whether the payment was posted to the proper year. We found no exceptions.
  
2. For any new employees selected in step 1 we determined whether the following information in the minutes was consistent with the information used to compute gross and net pay related to this check:
  - a. Name
  - b. Authorized salary or pay rate
  - c. Department(s) and fund(s) to which the check should be charged
  - d. Retirement system participation and payroll withholding
  - e. Federal, State & Local income tax withholding authorization and withholding
  - f. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – f. above

3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2012 to determine 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 during 2012. We noted the following:

<b>Withholding (plus employer share, where applicable)</b>	<b>Date Due</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>
Federal income taxes & Medicare	1/31/13	12/28/12	\$9,448.39	\$9,448.39
State income taxes	1/15/13	12/26/12	\$2,888.74	\$2,888.74
Village of Conneaut	1/31/13	12/28/12	\$11.58	\$11.58
Village of Jefferson	1/31/13	12/27/12	\$1,398.37	\$1,398.37
OPERS retirement	1/31/13	12/31/12	\$13,304.14	\$13,304.14
OP&F retirement	1/31/13	12/31/12	\$8,241.34	\$8,241.34

### Payroll Cash Disbursements (Continued)

4. We haphazardly selected and recomputed one termination payment (unused vacation, etc.) using the following information, and agreed the computation to the amount paid as recorded in the Employee Detail Adjustment Report:
  - a. Accumulated leave records
  - b. The employee's pay rate in effect as of the termination date
  - c. The Village's payout policy.

The amount paid was consistent with the information recorded in a. through c. above

### Non-Payroll Cash Disbursements

1. We haphazardly selected ten disbursements from the Expense Audit Trial Report for the year ended December 31, 2012 and ten from the year ended 2011 and determined whether:
  - a. The disbursements were for a proper public purpose. We found no exceptions.
  - 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 Expense Audit Trial 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 Revised Code Section 5705.41(D). We found five instances where the certification date was after the vendor invoice date, and there was also no evidence that a *Then and Now Certificate* was issued. Ohio Revised Code Section 5705.41(D) requires certifying at the time of a commitment, which should be on or before the invoice date, unless a *Then and Now Certificate* is used.

We also noted that the invoice from Yards Are Us footed to a total of \$608 and the company billed the Village for \$707 which was paid with check # 262404. This resulted in a \$99.00 overpayment to Yards Are Us. We footed the other invoices for the vendor and noted no other errors.

Because we did not test all disbursements requiring certification, our report provides no assurance whether or not additional similar errors occurred

### Compliance – Budgetary

1. Compare the total amounts from the *Amended Certificate of the Total Amount From All Sources Available For Expenditures and Balances*, required by Ohio Revised Code Section 5705.36(A)(1), to the amounts recorded in the Schedule of Revenues, Expenditures and Changes in Fund Balances for the General, Safety Services, and Sewer Improvement funds for the years ending December 31, 2012 and 2011.



### Compliance – Budgetary – (Continued)

The amounts on the *Certificate* did not agree to the amounts recorded in the accounting system for the General, Safety Services, and Sewer Improvement funds for 2012 or for the General and Sewer Improvement funds for 2011. The Schedule of Revenues, Expenditures and Changes in Fund Balances Report recorded budgeted (i.e. certified) resources for the General Fund, Safety Services Fund and Sewer Improvement Fund of \$889,529, \$475,226 and \$394,480 respectively for 2012. However, the final *Amended Official Certificate of Estimated Resources* reflected \$1,201,321, 762,873 and \$398,200 respectively. The Schedule of Revenues, Expenditures and Changes in Fund Balances Report recorded budgeted (i.e. certified) resources for the General Fund and Sewer Improvement Fund of \$810,514 and \$274,138 respectively for 2011. However, the final *Amended Official Certificate of Estimated Resources*, reflected \$822,570 and \$274,155 respectfully. The fiscal officer should periodically compare amounts recorded in the Schedule of Revenues, Expenditures and Changes in Fund Balances to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and monitoring purposes.

2. We scanned the appropriation measures adopted for 2012 and 2011 to determine whether, for the General, Safety Services and Sewer Improvement funds, the Council appropriated separately for “each office, department, and division, and within each, the amount appropriated for personal services,” as is required by Ohio Revised Code Section 5705.38(C). We found no exceptions.
3. We compared total appropriations required by Ohio Revised Code Sections 5705.38 and 5705.40, to the amounts recorded in the Schedule of Revenues, Expenditures and Changes in Fund Balance Report for 2012 and 2011 for the General Fund, Sewer Improvement fund and Safety Services funds. The amounts on the appropriation resolutions did not agree. The fiscal officer should periodically compare amounts recorded in the Schedule of Revenues, Expenditures and Changes in Fund Balances to amounts recorded on the *Appropriations Amendments* to assure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and monitoring purposes.
4. Ohio Revised Code Sections 5705.36(A)(5) and 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, Sewer Improvement and Special Services funds for the years ended December 31, 2012 and 2011. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Revised Code Section 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, 2012 and 2011 for the General, Sewer Improvement and Safety Services funds, as recorded in the Amended Appropriations. We noted that the General and Safety Services funds both exceeded the estimated resources for both 2012 and 2011, contrary to Ohio Revised Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available.
6. Ohio Revised Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Revenue Audit Trail for evidence of new restricted receipts requiring a new fund during December 31, 2012 and 2011. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Revised Code Section 5705.09 would require the Village to establish a new fund.

**Compliance – Budgetary – (Continued)**

7. We scanned the 2012 and 2011 Revenue Audit Trail and Amended Appropriations for evidence of interfund transfers exceeding \$10,000 which Ohio Revised Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Amended Appropriations to determine whether the Village elected to establish reserve accounts permitted by Ohio Revised Code Section 5705.13. We noted the Village did not establish these reserves.

**Compliance – Contracts & Expenditures**

1. We inquired of management and scanned the Expense Audit Trail report for the years ended December 31, 2012 and 2011 to determine if the Village proceeded by force account (i.e. used its own employees) to maintain or repair roads (cost of project exceeding \$30,000) or to construct or reconstruct Village roads (cost of project \$30,000/per mile) for which Ohio Revised Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

August 22, 2013



# Dave Yost • Auditor of State

**VILLAGE OF JEFFERSON**

**ASHTABULA 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 7, 2013**