



Dave Yost • Auditor of State



VILLAGE OF JENERA  
HANCOCK COUNTY

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# Dave Yost • Auditor of State

Village of Jenera  
Hancock County  
P.O. Box 57  
Jenera, Ohio 45841-0057

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

September 20, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Jenera  
Hancock County  
P.O. Box 57  
Jenera, Ohio 45841-0057

To the Village Council:

We have audited the accompanying financial statements of the Village of Jenera, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Jenera, Hancock County as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 20, 2011

**VILLAGE OF JENERA  
HANCOCK COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$13,420			\$13,420
Intergovernmental	47,194	\$6,520		53,714
Charges for Services	8,195	25,342		33,537
Fines, Licenses and Permits	841			841
Earnings on Investments	242	44	\$32	318
Miscellaneous	3,177			3,177
	<u>73,069</u>	<u>31,906</u>	<u>32</u>	<u>105,007</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,925	23,101		28,026
Public Health Services	1,065			1,065
Leisure Time Activities	14,494			14,494
Community Environment	8,096			8,096
Basic Utility Service	15,593	5,905		21,498
Transportation	1,372			1,372
General Government	15,281			15,281
Capital Outlay	8,768			8,768
	<u>69,594</u>	<u>29,006</u>		<u>98,600</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over Disbursements	<u>3,475</u>	<u>2,900</u>	<u>32</u>	<u>6,407</u>
Fund Cash Balances, January 1	<u>48,140</u>	<u>63,675</u>	<u>2,100</u>	<u>113,915</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$51,615</u></b>	<b><u>\$66,575</u></b>	<b><u>\$2,132</u></b>	<b><u>\$120,322</u></b>
Reserve for Encumbrances, December 31	<u>\$1,833</u>	<u>\$2,300</u>		<u>\$4,133</u>

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

VILLAGE OF JENERA  
HANCOCK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$71,096</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	3,271
Contractual Services	14,465
Supplies and Materials	<u>898</u>
Total Operating Cash Disbursements	<u>18,634</u>
Operating Income	<u>52,462</u>
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	<u>43,868</u>
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	7,300
Interest and Other Fiscal Charges	<u>29,641</u>
Total Non-Operating Cash Disbursements	<u>36,941</u>
Net Receipts Over Disbursements	59,389
Fund Cash Balances, January 1	<u>262,774</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$322,163</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$1,559</u></u>

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

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$11,841			\$11,841
Intergovernmental	83,370	\$14,622		97,992
Charges for Services	9,485	15,086		24,571
Fines, Licenses and Permits	874			874
Earnings on Investments	177	38	\$39	254
Miscellaneous	1,968			1,968
	<u>107,715</u>	<u>29,746</u>	<u>39</u>	<u>137,500</u>
<b>Total Cash Receipts</b>				
	<u>107,715</u>	<u>29,746</u>	<u>39</u>	<u>137,500</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,919	24,318		29,237
Public Health Services	1,102			1,102
Leisure Time Activities	12,459			12,459
Community Environment	4,794			4,794
Basic Utility Service	15,639			15,639
Transportation	115	1,745		1,860
General Government	54,866			54,866
Capital Outlay	31,315	5,297		36,612
	<u>125,209</u>	<u>31,360</u>		<u>156,569</u>
<b>Total Cash Disbursements</b>				
	<u>125,209</u>	<u>31,360</u>		<u>156,569</u>
Total Receipts Over/(Under) Disbursements	<u>(17,494)</u>	<u>(1,614)</u>	<u>39</u>	<u>(19,069)</u>
Fund Cash Balances, January 1	<u>65,634</u>	<u>65,289</u>	<u>2,061</u>	<u>132,984</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$48,140</b></u>	<u><b>\$63,675</b></u>	<u><b>\$2,100</b></u>	<u><b>\$113,915</b></u>
Reserve for Encumbrances, December 31	<u><u>\$9,331</u></u>	<u><u>\$1,374</u></u>		<u><u>\$10,705</u></u>

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

VILLAGE OF JENERA  
HANCOCK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$64,153</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	3,820
Contractual Services	3,572
Supplies and Materials	<u>1,102</u>
Total Operating Cash Disbursements	<u>8,494</u>
Operating Income	<u>55,659</u>
<b>Non-Operating Cash Receipts:</b>	
Intergovernmental	637,341
Other Debt Proceeds	<u>740,000</u>
Total Non-Operating Cash Receipts	<u>1,377,341</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	525,929
Redemption of Principal	<u>721,192</u>
Total Non-Operating Cash Disbursements	<u>1,247,121</u>
Net Receipts Over Disbursements	185,879
Fund Cash Balances, January 1	<u>76,895</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$262,774</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$7,561</u></u>

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

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Jenera, Hancock County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, sewer utilities, and park operations. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in the Public Entities Pool of Ohio. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village values certificate of deposits at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

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

Fire Fund – This fund receives predetermined contract amounts for services provided to Eagle, Orange, and Van Buren Townships and grants for the maintenance of the volunteer fire department.

**3. Permanent Fund**

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant Permanent Fund:

Levi Vermillion Memorial Fund – This fund receives proceeds from the interest earned on the principal amount to be used for the Main Street and Village Hall.

**4. 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:

Debt Sewer Fund - This fund receives charges for services from residents to cover debt on sewer project.

Utility Improvement Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. A utility surcharge recorded in this fund will repay this loan.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio Law. Management has included audit adjustments in the accompanying financial statements and budgetary presentations for material items that should have been encumbered

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. 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:

	2010	2009
Demand deposits	\$437,485	\$374,689
Certificates of deposit	5,000	2,000
Total deposits	\$442,485	\$376,689

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,536	\$73,069	\$50,533
Special Revenue	34,600	31,906	(2,694)
Enterprise	98,234	114,964	16,730
Permanent	40	32	(8)
Total	\$155,410	\$219,971	\$64,561

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,681	\$71,427	\$25,254
Special Revenue	67,500	31,306	36,194
Enterprise	60,197	57,134	3,063
Permanent	140	140	-
Total	<u>\$224,518</u>	<u>\$159,867</u>	<u>\$64,651</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,879	\$107,715	\$85,836
Special Revenue	23,975	29,746	5,771
Enterprise	85,711	1,441,494	1,355,783
Permanent	30	39	9
Total	<u>\$131,595</u>	<u>\$1,578,994</u>	<u>\$1,447,399</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,427	\$134,540	(\$105,113)
Special Revenue	9,490	32,734	(23,244)
Enterprise	22,443	1,263,176	(1,240,733)
Permanent	-	-	-
Total	<u>\$61,360</u>	<u>\$1,430,450</u>	<u>(\$1,369,090)</u>

The following funds had expenditures in excess of appropriations for the year ended December 31, 2009:

Fund	Appropriations	Expenditures	Excess
General Fund	\$29,427	\$134,540	\$105,113
SCMR Fund	-	1,980	1,980
State Highway Fund	-	100	100
Fire Fund	8,852	25,943	17,091
Street Lighting	638	4,711	4,073
Sewer Fund	-	8,755	8,755
Sewer Construction Fund	22,443	1,254,421	1,231,978

The following funds had expenditures in excess of appropriations for the year ended December 31, 2010:

Fund	Appropriations	Expenditures	Excess
Street Lighting Fund	\$4,792	\$4,835	\$43
Sewer Debt Fund	36,916	36,941	25
Sewer Construction Fund	7,300	7,818	518

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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.

Public utilities are also taxed on personal and real property located within the Village.

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

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

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
USDA Rural Development Loan - Sewer	\$732,700	4.25%

The USDA Rural Development Loan was obtained for a sewer system project. The USDA loan will be repaid over 40 years for the sewer. The Village has agreed to set utility rates sufficient to cover USDA Rural Development debt service requirements.

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

	USDA Sewer Loan
Year ending December 31:	
2011	\$38,840
2012	38,812
2013	38,773
2014	38,820
2015	38,750
2016-2020	193,964
2021-2025	193,894
2026-2030	193,991
2031-2035	193,896
2036-2040	193,945
2041-2045	193,973
2046-2049	155,181
Total	\$1,512,839

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

**Social Security System**

As of December 31, 2010, the Village's Fire Chief participated in Social Security. The Board's liability is 6.2 percent of wages paid.

**7. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009:

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Village's share of these unpaid claims collectible in future years is approximately \$14,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2009	\$14,175
2010	\$14,545

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

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

Village of Jenera  
Hancock County  
P.O. Box 57  
Jenera, Ohio 45841-0057

To the Village Council:

We have audited the financial statements of the Village of Jenera, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 20, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-002 and 2010-003 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001, 2010-003 and 2010-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 20, 2011.

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

September 20, 2011

VILLAGE OF JENERA  
HANCOCK COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-001

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(D)(1)**, states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

1. **Then and Now Certificate:** If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. **Blanket Certificate:** Fiscal Officers may prepare "blanket" certificates not exceeding amounts (appropriations) as approved by Council via Ordinance or Resolution, or running beyond the current 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.

Forty-four percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. In addition, the Village system did not correctly account for outstanding purchase commitments at the end of December 2010, and the Fiscal Officer did not properly encumber commitments as of December 31, 2010 and 2009. The accompanying financial and budgetary presentations have been adjusted to reflect the correct amounts of outstanding encumbrances at the end of the years resulting in adjustments totaling \$48,756 for 2010 and \$48,944 for 2009.

**FINDING NUMBER 2010-001  
(Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by the Council.

To improve controls over disbursements, we recommend all Village disbursements received prior certification of the Fiscal Officer and the Council review the outstanding purchase order listing at year end to determine its accuracy.

**FINDING NUMBER 2010-002**

**Material Weakness**

**Financial Reporting**

We encountered the following transactions that required reclassification and the accompanying financial statements reflect these amounts:

- In 2009 and 2010 intergovernmental revenue was posted as miscellaneous in the General fund in amounts ranging from \$5,004 to \$46,895.
- In 2009 and 2010 capital outlay expenses were incorrectly presented on the financial statements in various other accounts for the General fund in amounts ranging from \$4,158 to \$36,612.
- In 2009 and 2010 expenses for community environment in the Special Revenue funds ranging from \$5,905 to \$19,972 were incorrectly presented on the financial statements and should have been security of persons and property.
- In 2010 \$46,940 of intergovernmental revenue was mis-posted as charges for services and loan proceeds in the Enterprise fund.
- In 2009 a \$40,029 payment made by OPWC on behalf of the village was not accounted for on the Village's books as grant revenue and capital outlay.
- In 2009 the \$721,192 OWDA loan pay-off was posted as capital outlay.
- In 2009 and 2010 encumbrances were incorrectly reported on the financial statements for the General, Special Revenue, and Enterprise funds ranging from \$758 to \$44,889.
- In 2009 and 2010 the Permanent fund activity and fund balance was not presented.

The accompanying financial statements have been adjusted to correct these errors.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Finance Committee, to identify and correct errors and omissions.

**FINDING NUMBER 2010-003**

**Noncompliance Citation and Material Weakness**

**Ohio Revised Code § 5705.10(D)** states, in part, that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

The following transactions were found to be posted to the incorrect fund:

- In 2009 a \$8,000 fire equipment grant and the related expenses of \$5,297 were posted to the General fund and should have been accounted for in the Fire Equipment fund.
- In 2009 and 2010 property tax monies were posted to the Street Lighting fund and should have been posted to the General fund in amounts of \$239 and \$541 respectively.

The accompanying financial statements and the Village's accounting records were adjusted to reflect these amounts in the proper funds.

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council. We recommend Council monitor receipt posting to ensure money is posted to the correct fund.

**FINDING NUMBER 2010-004**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

The following funds had expenditures in excess of appropriations for the year ended December 31, 2009:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$29,427	\$134,540	\$105,113
SCMR Fund		1,980	1,980
State Highway Fund		100	100
Fire Fund	8,852	25,943	17,091
Street Lighting	638	4,711	4,073
Sewer Fund		8,755	8,755
Sewer Construction Fund	22,443	1,254,421	1,231,978

The following funds had expenditures in excess of appropriations for the year ended December 31, 2010:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Street Lighting Fund	\$4,792	\$4,835	\$43
Sewer Debt Fund	36,916	36,941	25
Sewer Construction Fund	7,300	7,818	518

We recommend the Fiscal Officer and Council review and amend appropriations whenever necessary to help prevent expenditures from exceeding appropriations, provided sufficient resources are available.

**FINDING NUMBER 2010-004  
(Continued)**

**Officials' Response:**

The implementation of the service agreement will allow for the timely knowledge of expenditures giving time to issue the PO and make sure the funds allow for the expense. Also I have committed to the Village that I will be at the town hall Tuesday evenings for their needs. Regarding the appropriations there will be changes where a payment cannot be made without the funds being available. I will be monitoring these more closely. Regarding the funds I will be asking more questions to make sure I know what the purchases are and from where the funds were spent. This will allow me to better match the funds. I will seek more training in the areas I am still unsure of the proper procedure.

**VILLAGE OF JENERA  
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Revised Code § 5705.41(D)(1) for the failure to certify disbursements.	No	Not corrected repeated as finding 2010-001 in this report.
2008-002	Material Weakness for errors in posting of transactions.	No	Not corrected repeated as finding 2010-002 in this report

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# Dave Yost • Auditor of State

VILLAGE OF JENERA

HANCOCK COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 6, 2011