



Dave Yost • Auditor of State

**VILLAGE OF JENERA
HANCOCK COUNTY
DECEMBER 31, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Jenera
Hancock County
103 South Main Street
Jenera, Ohio 45841-0057

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 Jenera, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015.

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 2 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, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Jenera, Hancock County, Ohio as of December 31, 2016 and 2015, 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 2.

Emphasis of Matter

As discussed in Note 3 to the 2015 financial statements, the Village restated its beginning fund balances for the year ended December 31, 2015 to account for a grant that was recorded in the General Fund instead of the Capital Projects Fund and for rental deposits that were not recorded to the accounting records in the Agency Fund. We did not modify our opinion regarding these matters.

Other Matter

The Village has suffered recurring losses from operations and has a fund balance deficiency of \$11,976 and \$6,921 in the General Fund as of December 31, 2016 and 2015, respectively. Based solely on inquiries and scanning of unaudited fund cash balances as of March 30, 2018 the Village may require additional receipts or cost cutting measures to continue paying obligations when due. The notes to the financial statements do not disclose management's plan for this matter, however it does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2018

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**VILLAGE OF JENERA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$12,745				\$12,745
Intergovernmental	26,101	\$9,142	\$9,500		44,743
Charges for Services	8,900	23,848			32,748
Special Assesments		5,481			5,481
Earnings on Investments	676	129		\$12	817
Miscellaneous	8,304				8,304
<i>Total Cash Receipts</i>	<u>56,726</u>	<u>38,600</u>	<u>9,500</u>	<u>12</u>	<u>104,838</u>
Cash Disbursements					
Current:					
Security of Persons and Property	4,075	26,113			30,188
Leisure Time Activities	10,388				10,388
Community Environment	5,122				5,122
Basic Utility Services	11,534				11,534
Transportation		934			934
General Government	21,075				21,075
Capital Outlay		2,633	28,500		31,133
Debt Service:					
Principal Retirement	8,393				8,393
Interest and Fiscal Charges	1,194				1,194
<i>Total Cash Disbursements</i>	<u>61,781</u>	<u>29,680</u>	<u>28,500</u>		<u>119,961</u>
<i>Net Change in Fund Cash Balances</i>	(5,055)	8,920	(19,000)	12	(15,123)
<i>Fund Cash Balances, January 1</i>	<u>(6,921)</u>	<u>29,704</u>	<u>\$19,000</u>	<u>2,239</u>	<u>44,022</u>
Fund Cash Balances, December 31					
Nonspendable				2,000	2,000
Restricted		38,624		251	38,875
Unassigned	(11,976)				(11,976)
<i>Fund Cash Balances, December 31</i>	<u>(\$11,976)</u>	<u>\$38,624</u>		<u>\$2,251</u>	<u>\$28,899</u>

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

**VILLAGE OF JENERA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$76,076		\$76,076
Operating Cash Disbursements			
Personal Services	8,919		8,919
Contractual Services	5,139		5,139
Supplies and Materials	1,000		1,000
<i>Total Operating Cash Disbursements</i>	15,058		15,058
<i>Operating Income</i>	61,018		61,018
Non-Operating Receipts (Disbursements)			
Principal Retirement	(9,400)		(9,400)
Interest and Other Fiscal Charges	(29,368)		(29,368)
Other Financing Sources		\$3,300	3,300
Other Financing Uses		(3,750)	(3,750)
<i>Total Non-Operating Receipts (Disbursements)</i>	(38,768)	(450)	(39,218)
<i>Net Change in Fund Cash Balances</i>	22,250	(450)	21,800
<i>Fund Cash Balances, January 1</i>	378,217	2,953	381,170
<i>Fund Cash Balances, December 31</i>	\$400,467	\$2,503	\$402,970

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

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Jenera, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and general government services. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio public entity risk pool. 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Park Grant Fund – This fund receives grant monies to pave the parking area at the community building and treat and seal the existing walkway at the park and around the building.

**VILLAGE OF JENERA
HANCOCK COUNTY**

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

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Levi Vermillion Memorial Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village Hall and Main Street.

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 Fund:

Sewer Operating Fund This fund receives charges for services from residents to cover sewer service costs.

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

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

Basis of Accounting

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 Board 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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

VILLAGE OF JENERA
HANCOCK COUNTY

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

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.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF JENERA
HANCOCK COUNTY**

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

Note 3 – Compliance

Contrary to Ohio law, in 2016:

- The Village transferred monies improperly between Village funds;
- Revenues and disbursements were posted to incorrect funds; and
- The General Fund had a negative fund balance at year end.
- Expenditures exceeded appropriations in the Capital Projects Fund.

Note 4 - Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,264	\$56,726	(\$2,538)
Special Revenue	64,700	38,600	(26,100)
Capital Projects		9,500	9,500
Permanent	20	12	(8)
Enterprise	76,000	76,076	76
Total	\$199,984	\$180,914	(\$19,070)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,626	\$61,781	\$9,845
Special Revenue	52,600	29,680	22,920
Capital Projects		28,500	(28,500)
Enterprise	57,500	53,826	3,674
Total	\$181,726	\$173,787	\$7,939

Note 5 – Deposits

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

Demand deposits	2016 \$429,869
Certificates of deposit	2,000
Total deposits	\$431,869

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

**VILLAGE OF JENERA
HANCOCK COUNTY**

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

Note 6 – Property Taxes

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.

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

Note 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. 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 York. 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

**VILLAGE OF JENERA
HANCOCK COUNTY**

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

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$12,000.

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.

2016 Contributions to PEP
\$ 18,386

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.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village 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. 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, 2016.

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employee contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participant gross salary. The Village has paid all contributions required through December 31, 2016.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**VILLAGE OF JENERA
HANCOCK COUNTY**

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

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$681,600	4.25%
Fire Truck Loan	18,000	3.63%
Total	\$699,600	

The Mortgage Revenue Bonds relate to a sewer plant project the Ohio Environmental Protection Agency mandated. The Village will repay the bonds in annual installments over 40 years. Sewer receipts collateralize the bonds. The Village has agreed to set utility rates sufficient to cover Mortgage Revenue Bonds debt service requirements.

The Village entered into a loan agreement with First National Bank for \$80,000 to purchase a fire truck. The Village has pledged the fire truck as collateral. The loan will be paid in monthly installments over the next three years.

Amortization

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

	Mortgage Revenue Bonds	Fire Truck Loan
Year ending December 31:		
2017	\$38,768	\$9,588
2018	38,851	8,988
2019	38,714	460
2020	38,864	
2021	38,787	
2022-2026	193,912	
2027-2031	193,984	
2032-2036	193,929	
2037-2041	193,935	
2042-2046	194,002	
2047	116,331	
Total	\$1,280,077	\$19,036

Note 11 – Miscellaneous Revenue

Miscellaneous revenue in the General Fund in 2016 primarily consisted of partial payments towards fire department vehicles from the Jenera Volunteer Fire Department and rebates from Time Warner Cable.

Note 12 - Significant Deficit Fund Balance

As of December 31, 2016 the Village's overall General Fund cash balances was a negative 11,976 after audit adjustments.

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**VILLAGE OF JENERA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$13,459	\$381			\$13,840
Intergovernmental	27,494	19,668	\$9,500		56,662
Charges for Services	11,000	23,760			34,760
Earnings on Investments	284	54		\$12	350
Miscellaneous	8,567				8,567
<i>Total Cash Receipts</i>	<u>60,804</u>	<u>43,863</u>	<u>9,500</u>	<u>12</u>	<u>114,179</u>
Cash Disbursements					
Current:					
Security of Persons and Property	3,390	27,850			31,240
Leisure Time Activities	9,132				9,132
Community Environment	5,766				5,766
Basic Utility Services	18,376				18,376
Transportation	100	1,790			1,890
General Government	34,818				34,818
Capital Outlay		11,585			11,585
Debt Service:					
Principal Retirement	8,446				8,446
Interest and Fiscal Charges	1,141				1,141
<i>Total Cash Disbursements</i>	<u>81,169</u>	<u>41,225</u>			<u>122,394</u>
<i>Net Change in Fund Cash Balances</i>	(20,365)	2,638	9,500	12	(8,215)
<i>Fund Cash Balances, January 1 (restated)</i>	<u>13,444</u>	<u>27,066</u>	<u>9,500</u>	<u>2,227</u>	<u>52,237</u>
Fund Cash Balances, December 31					
Nonspendable				2,000	2,000
Restricted		29,704	19,000	239	48,943
Unassigned	(6,921)				(6,921)
<i>Fund Cash Balances, December 31</i>	<u>(\$6,921)</u>	<u>\$29,704</u>	<u>\$19,000</u>	<u>\$2,239</u>	<u>\$44,022</u>

**VILLAGE OF JENERA
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$70,818		\$70,818
Miscellaneous	100		100
<i>Total Operating Cash Receipts</i>	<u>70,918</u>		<u>70,918</u>
Operating Cash Disbursements			
Personal Services	6,162		6,162
Transportation	806		806
Contractual Services	13,965		13,965
<i>Total Operating Cash Disbursements</i>	<u>20,933</u>		<u>20,933</u>
<i>Operating Income</i>	<u>49,985</u>		<u>49,985</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(9,000)		(9,000)
Interest and Other Fiscal Charges	(29,750)		(29,750)
Other Financing Sources		\$4,050	4,050
Other Financing Uses		(3,940)	(3,940)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(38,750)</u>	<u>110</u>	<u>(38,640)</u>
<i>Net Change in Fund Cash Balances</i>	11,235	110	11,345
<i>Fund Cash Balances, January 1 (restated)</i>	<u>366,982</u>	<u>2,843</u>	<u>369,825</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$378,217</u></u>	<u><u>\$2,953</u></u>	<u><u>\$381,170</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
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Jenera, Hancock County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides sewer utilities, park operations, and general government services. The Village contracts with the Hancock County Sheriff's department to provide security of persons and property. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio public entity risk pool. Note 8 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Fund:

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

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Fund:

Park Grant Fund – This fund receives grant monies to pave the parking area at the community building and treat and seal the existing walkway at the park and around the building.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Village had the following significant Permanent Fund:

Levi Vermillion Memorial Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village Hall and Main Street.

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 Fund:

Sewer Operating Fund This fund receives charges for services from residents to cover sewer service costs.

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

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

Basis of Accounting

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 Board 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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and 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.

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.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

VILLAGE OF JENERA
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

A summary of 2015 budgetary activity appears in Note 5.

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.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 3 – Restatement of Fund Balances

For the year ended December 31, 2014, the Village recorded the Park Grant in the General Fund instead of in a separate fund as required by the grant agreement. In addition, deposits for rental deposits were not recorded. As of January 1, 2015, the park grant monies were reclassified from the General Fund to Capital Projects Fund and the rental deposit monies were reported in an Agency Fund.

The restatement had the following effect on fund balances:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Agency Fund</u>
Ending Fund Balance, December 31, 2014	\$22,944		
Reclassification of Park Grant	(9,500)	\$9,500	
Posting of Rental Deposits			\$2,843
Beginning Fund Balance, January 1, 2015	<u>\$13,444</u>	<u>\$9,500</u>	<u>\$2,843</u>

Note 4 – Compliance

Contrary to Ohio law, in 2015:

- Expenditures exceeded appropriation authority in the General and Sewer Operating Funds;
- Revenues were posted to incorrect funds; and
- The General Fund had a negative fund balance at year end.

Note 5 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,439	\$60,804	\$23,365
Special Revenue	42,100	43,863	1,763
Capital Projects		9,500	9,500
Permanent	20	12	(8)
Enterprise	56,000	70,918	14,918
Total	<u>\$135,559</u>	<u>\$185,097</u>	<u>\$49,538</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,026	\$81,169	(\$21,143)
Special Revenue	45,100	41,225	3,875
Enterprise	57,300	59,683	(2,383)
Total	<u>\$162,426</u>	<u>\$182,077</u>	<u>(\$19,651)</u>

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Note 6 – Deposits

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

	<u>2015</u>
Demand deposits	\$423,192
Certificates of deposit	<u>2,000</u>
Total deposits	<u><u>\$425,192</u></u>

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

Note 7 – Property Taxes

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.

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

Note 8 - 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. 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 York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015.

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$11,000.

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.

2015 Contributions to PEP
\$ 18,218

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.

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The majority of Village 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. 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, 2015.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

The employee contributed 6.2 percent of their gross salary. The Village contributed an amount equal to 6.2 percent of participant gross salary. The Village has paid all contributions required through December 31, 2015.

Note 10 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$691,000	4.25%
Fire Truck Loan	26,394	3.63%
Total	\$717,394	

The Mortgage Revenue Bonds relate to a sewer plant project the Ohio Environmental Protection Agency mandated. The Village will repay the bonds in annual installments over 40 years. Sewer receipts collateralize the bonds. The Village has agreed to set utility rates sufficient to cover Mortgage Revenue Bonds debt service requirements.

The Village entered into a loan agreement with First National Bank for \$80,000 to purchase a fire truck. The Village has pledged the fire truck as collateral. The loan will be paid in monthly installments over the next four years.

Amortization

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

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Year ending December 31:	Mortgage	
	Revenue Bonds	Fire Truck Loan
2016	\$38,768	\$9,588
2017	38,768	9,588
2018	38,851	8,988
2019	38,714	460
2020	38,864	
2021-2025	193,894	
2026-2032	193,990	
2033-2037	193,897	
2038-2042	193,945	
2043-2047	193,973	
2048-2049	155,180	
Total	<u>\$1,318,844</u>	<u>\$28,624</u>

Note 11 – Miscellaneous Revenue

Miscellaneous revenue in the General Fund in 2015 primarily consisted of partial payments towards fire department vehicles from the Jenera Volunteer Fire Department and Orange Township and rebates from Time Warner Cable.

Note 12 - Significant Deficit Fund Balance

As of December 31, 2015 the Village's overall General Fund cash balances was a negative \$6,921 after audit adjustments.



Dave Yost • Auditor of State

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

Village of Jenera
Hancock County
103 South Main Street
Jenera, Ohio 45841-0057

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 Jenera, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated March 20, 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. We also noted the Village restated its beginning fund balances to account for a grant that was recorded in the General Fund instead of the Capital Projects Fund and for rental deposits that were not recorded to the accounting records in the Agency Fund. We also noted the Village has a deficit General Fund balance that may require additional receipts or cost-cutting measures by the Village.

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 opinions 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.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 and 2016-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-003 through 2016-005.

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.



Dave Yost
Auditor of State

Columbus, Ohio

March 20, 2018

VILLAGE OF JENERA
HANCOCK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness - Monitoring of Financial Statements

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Accurate financial reporting is essential to help ensure the information provided to the readers of the financial statements accurately reflects the Village's activity. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

The Village lacked a policy regarding financial review which contributed to the following errors:

- In 2016 and 2015, the Permanent Fund balance was incorrectly classified as restricted instead of nonspendable in the amounts of \$2,000 each year.
- In 2015, the Special Revenue Fire Equipment Grant Fund, incorrectly classified \$10,000 in fire grant monies as miscellaneous revenue instead of intergovernmental revenues in the amount of \$10,000.
- In 2016 and 2015, intergovernmental revenue was posted as special assessments in the Special Revenue Street Construction, Maintenance, and Repair Fund in the amounts of \$6,965 and \$7,430, respectively.
- During 2016, special assessment revenue was posted as taxes in the Special Revenue Street Light Fund in the amount of \$5,481.
- In 2016 and 2015, Agency Fund activity for deposits on hall rentals, were not booked to the financial statements. This resulted in beginning fund balance, receipts, and disbursements being understated by \$2,953, \$3,300 and \$3,750, respectively, for 2016. This also resulted in beginning balance, receipts, and disbursements being understated by \$2,843, \$4,050 and \$3,940, respectively, for 2015.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and the Village's accounting records have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

We recommend that the Fiscal Officer post all transactions in accordance with the guidance established in the Village Officer's Handbook. Also, the Fiscal Officer should also review Auditor of State Bulletin 2011-004 for information on GASB Statement No. 54, to help ensure that all fund balances are properly classified on the financial statements. Further, the Village Council should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Council to help ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2016-002

Material Weakness - Budgeted Receipts Posted and Approved

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Fiscal Officer did not always post budgeted receipts as listed on the Certificate of Estimated Resources. Failure to post correct budget amounts could inhibit Council's ability to monitor revenue activity. We noted the following difference between amounts per the certificate of estimated resources and amounts posted to the accounting system and notes to the financial statements in the following fund:

	Approved Estimated <u>Receipts</u>	Posted Estimated <u>Receipts</u>	Difference <u>Over/(Under)</u>
For the Year Ended December 31, 2016			
General Fund	\$59,264	\$64,365	\$5,101

Lack of an adequate review of the budgetary reports by the Council Members resulted in posting incorrect budgeted receipts to their system. This also resulted in the Village posting incorrect budgeted receipts to the budgetary notes to the financial statements. These notes were corrected to reflect the approved amounts.

The Village should develop policies and implement procedures to assure that all budgeted receipts posted agree to the certificate of estimated resources.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Rev. Code §§ 5705.14 and .16 indicate, except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e., a two thirds vote is not required for General Fund transfers though a resolution passed by a simple majority is required. A simple majority constitutes a quorum of greater than 50% of the members.)

The Fiscal Officer made transfers in 2016 with no evidence of the transfers being allowable per Ohio Revised Code and there was no approval from Village Council. These errors were caused and went undetected because the Village lacked a policy regarding financial review.

The following unallowable transfers were made by the Village:

- Sewer Fund to Utility Construction Fund in the amount of \$950.
- Sewer Reserve Fund to Sewer Fund in the amount of \$18,953.
- Sewer Sinking Fund to Sewer Fund \$116,343.

The financial statements and accounting records were corrected to eliminate these unauthorized transfers.

We recommend Village Council review the Ohio Revised Code for allowable/unallowable transfers and all transfers be approved by council. This approval should be documented by a resolution in the minutes.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Board approved appropriations.

The following funds had disbursements in excess of appropriations:

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
For the Year Ended December 31, 2016:			
Capital Projects Fund		\$28,500	\$28,500
For the Year Ended December 31, 2015:			
General Fund	\$60,026	81,169	21,143
Sewer Operating Fund	57,300	59,683	2,383

These errors were a result of inadequate policies and procedures in approving and reviewing budgetary information. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Furthermore, the aforementioned section requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose be paid into a special fund for such purpose. In addition, **Ohio Rev. Code § 5705.10(I)** provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. In addition, the **Hancock Park District Grant Agreement** required grant checks to be recorded separately as Park Grants.

- Grant monies received from the Hancock Park District were improperly posted to the General Fund. In 2015, beginning balances were overstated in the General Fund and understated in the Capital Projects Park Grant Fund by \$9,500 due to a misposting of grant monies in 2014. Subsequently, in both 2015 and 2016, revenues of \$9,500 were posted to the General Fund instead of the Capital Projects Fund. Capital Outlay disbursements of \$28,500 were also reported in the General Fund instead of the Capital Projects Fund in 2016.
- The General Fund had a deficit balance of \$6,921 and \$11,976 at December 31, 2015 and 2016, respectively.
- In 2016, the Fiscal Officer improperly moved \$9,000 of contract services and \$9,000 of supplies and materials disbursements from the Sewer Fund to the General Fund capital outlay.
- In 2016, the Fiscal Officer improperly moved \$250 of General Fund leisure time activities disbursements to the Permanent Fund capital outlay. The trust agreement did not allow for this type of expenditure.

- In 2015, the Fiscal Officer improperly posted special assessment receipts in the amount of \$355 in the Sewer Fund instead of the Street Lighting Fund.

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The accounting records and financial statements were adjusted to correct these misstatements.

Improper posting of revenues could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly posted in the accounting ledgers so that Council can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Village Council should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Finding first reported in 2006. Material weakness for monitoring of financial transactions due to errors in the financial statements.	Not Corrected. Reissued as Finding 2016-001 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-002	Finding first reported in 2009. Material weakness and noncompliance of Ohio Rev Code § 5705.10(D) for not posting monies to the correct funds.	Not Corrected. Reissued as Finding 2016-005 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.
2014-003	Finding first reported in 2009. Material weakness and noncompliance of Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	Not Corrected. Reissued as Finding 2016-004 in this report.	The Village declined to offer an explanation why the finding reoccurred or what corrective action they may anticipate.

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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
APRIL 3, 2018