



Dave Yost • Auditor of State

VILLAGE OF JENERA
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Jenera
Hancock County
103 South Main Street
P.O. Box 57
Jenera, Ohio 45841-0057

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Jenera, Hancock County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 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 opinion.

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Jenera, Hancock County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1F to the financial statements, during 2011 the Village of Jenera adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2013, 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.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**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, 2012**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$9,790			\$9,790
Intergovernmental	49,514	\$31,148		80,662
Special Assessments		4,366		4,366
Charges for Services	7,135	22,120		29,255
Donations	6,794			6,794
Fines, Licenses and Permits	1,737			1,737
Earnings on Investments	230	42	\$31	303
Miscellaneous	428			428
<i>Total Cash Receipts</i>	<u>75,628</u>	<u>57,676</u>	<u>31</u>	<u>133,335</u>
Cash Disbursements				
Current:				
Security of Persons and Property	4,252	34,784		39,036
Leisure Time Activities	19,095			19,095
Community Environment	7,736			7,736
Basic Utility Services	12,279			12,279
Transportation		19,769		19,769
General Government	37,724			37,724
Capital Outlay	12,645	53,593		66,238
Debt Service:				
Principal Retirement	6,998			6,998
Interest and Fiscal Charges	2,589			2,589
<i>Total Cash Disbursements</i>	<u>103,318</u>	<u>108,146</u>		<u>211,464</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(27,690)</u>	<u>(50,470)</u>	<u>31</u>	<u>(78,129)</u>
Other Financing Receipts (Disbursements)				
Transfers In		20,000		20,000
Transfers Out	(20,000)			(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,000)</u>	<u>20,000</u>		
<i>Net Change in Fund Cash Balances</i>	<u>(47,690)</u>	<u>(30,470)</u>	<u>31</u>	<u>(78,129)</u>
<i>Fund Cash Balances, January 1</i>	<u>36,942</u>	<u>71,465</u>	<u>2,175</u>	<u>110,582</u>
Fund Cash Balances, December 31				
Nonspendable			2,000	2,000
Restricted		40,995	206	41,201
Unassigned (Deficit)	(10,748)			(10,748)
<i>Fund Cash Balances, December 31</i>	<u>(\$10,748)</u>	<u>\$40,995</u>	<u>\$2,206</u>	<u>\$32,453</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 BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$68,788</u>
Operating Cash Disbursements	
Personal Services	2,000
Contractual Services	15,708
Supplies and Materials	<u>434</u>
<i>Total Operating Cash Disbursements</i>	<u>18,142</u>
<i>Operating Income</i>	<u>50,646</u>
Non-Operating Disbursements	
Principal Retirement	(8,000)
Interest and Other Fiscal Charges	<u>(30,812)</u>
<i>Total Non-Operating Disbursements</i>	<u>(38,812)</u>
<i>Net Change in Fund Cash Balances</i>	11,834
<i>Fund Cash Balances, January 1</i>	<u>322,865</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$334,699</u></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)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$9,922			\$9,922
Intergovernmental	49,122	\$348,747		397,869
Special Assessments		4,407		4,407
Charges for Services	9,494	21,380		30,874
Fines, Licenses and Permits	1,781			1,781
Earnings on Investments	531	101	\$43	675
Miscellaneous	9,838			9,838
<i>Total Cash Receipts</i>	<u>80,688</u>	<u>374,635</u>	<u>43</u>	<u>455,366</u>
Cash Disbursements				
Current:				
Security of Persons and Property	4,905	22,287		27,192
Leisure Time Activities	9,418			9,418
Community Environment	7,945			7,945
Basic Utility Services	12,810			12,810
Transportation	660	3,733		4,393
General Government	21,678	18,324		40,002
Capital Outlay	88,684	341,402		430,086
Debt Service:				
Principal Retirement	21,491			21,491
Interest and Fiscal Charges	2,398			2,398
<i>Total Cash Disbursements</i>	<u>169,989</u>	<u>385,746</u>		<u>555,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(89,301)</u>	<u>(11,111)</u>	<u>43</u>	<u>(100,369)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	80,000			80,000
Sale of Capital Assets	10,628			10,628
Advances In		16,000		16,000
Advances Out	(16,000)			(16,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>74,628</u>	<u>16,000</u>		<u>90,628</u>
<i>Net Change in Fund Cash Balances</i>	<u>(14,673)</u>	<u>4,889</u>	<u>43</u>	<u>(9,741)</u>
<i>Fund Cash Balances, January 1</i>	<u>51,615</u>	<u>66,576</u>	<u>2,132</u>	<u>120,323</u>
Fund Cash Balances, December 31				
Nonspendable			2,000	2,000
Restricted		71,465	175	71,640
Unassigned	36,942			36,942
<i>Fund Cash Balances, December 31</i>	<u>\$36,942</u>	<u>\$71,465</u>	<u>\$2,175</u>	<u>\$110,582</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 BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$74,425
Miscellaneous	1,584
	<hr/>
<i>Total Operating Cash Receipts</i>	76,009
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Operating Cash Disbursements	
Personal Services	2,833
Contractual Services	16,206
	<hr/>
<i>Total Operating Cash Disbursements</i>	19,039
	<hr/>
<i>Operating Income</i>	56,970
	<hr/>
Non-Operating Receipts (Disbursements)	
Intergovernmental	9,850
Capital Outlay	(27,278)
Principal Retirement	(7,700)
Interest and Other Fiscal Charges	(31,140)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	(56,268)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	702
	<hr/>
<i>Fund Cash Balances, January 1</i>	322,163
	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$322,865</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, 2012 AND 2011**

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 sewer utilities, park operations, and general government services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in 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 certificates of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 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.

3. 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 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 Fund:

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

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. Appropriations lapse at year end.

2. Estimated Resources

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

VILLAGE OF JENERA
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011, the Village implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. GASB Statement No. 54 also clarifies the definition of governmental fund types. The implementation on GASB Statement No. 54 did not have an effect on the previously reported fund balances.

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits

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

	2012	2011
Demand deposits	\$365,152	\$431,447
Certificates of deposit	2,000	2,000
Total deposits	\$367,152	\$433,447

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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,099	\$75,628	\$7,529
Special Revenue	69,162	77,676	8,514
Enterprise	69,441	68,788	(653)
Permanent	50	31	(19)
Total	\$206,752	\$222,123	\$15,371

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,450	\$123,318	(\$28,868)
Special Revenue	93,922	108,146	(14,224)
Enterprise	61,000	56,954	4,046
Permanent	225	225	225
Total	<u>\$249,597</u>	<u>\$288,418</u>	<u>(\$38,821)</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,123	\$171,316	\$130,193
Special Revenue	374,257	374,635	378
Enterprise	198,008	85,859	(112,149)
Permanent	40	43	3
Total	<u>\$613,428</u>	<u>\$631,853</u>	<u>\$18,425</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$97,098	\$169,989	(\$72,891)
Special Revenue	412,102	385,746	26,356
Enterprise	65,309	85,157	(19,848)
Permanent	170	170	170
Total	<u>\$574,679</u>	<u>\$640,892</u>	<u>(\$66,213)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund, Street Construction, Maintenance and Repair Fund, State Highway Fund and Street Lighting Fund by \$28,868, \$14,605, \$863 and \$1,700, respectively, for the year ended December 31, 2012 and in the General Fund, Sewer Fund and Sewer Debt Fund by \$72,891, 18,508 and 1,340, respectively, for the year ended December 31, 2011. Also contrary to Ohio law, at December 31, 2012, the General fund had a cash deficit balance of \$10,748. The Village subsequently received an estate tax settlement of \$39,733 which corrected the deficit. Council continues to monitor the General Fund budget. In 2011 a \$261,250 fire equipment grant and the related expenses of \$261,250 were posted to the General fund instead of the Fire Equipment fund, and in 2011 and 2012 special assessment monies were posted to the General Fund instead of the Street Lighting fund in the amounts of \$4,407 and \$4,366 respectively, contrary to Ohio law.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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.

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, 2012 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$717,000	4.25%
Fire Truck Loan	\$50,830	3.63%
Total	\$767,830	

The USDA Rural Development loan relates to a sewer plant project the Ohio Environmental Protection Agency mandated. The Village will repay the loan in annual installments over 40 years. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover USDA Rural Development 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 six years.

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

	Mortgage Revenue Bonds	Fire Truck Loan
Year ending December 31:		
2013	\$38,773	\$9,587
2014	38,820	9,587
2015	38,750	9,587
2016	38,767	9,975
2017	38,768	10,010
2018-2022	194,010	8,537
2023-2027	193,915	
2028-2032	193,937	
2033-2037	193,987	
2038-2042	193,911	
2043-2047	193,967	
2048-2049	77,579	
Total	\$1,435,184	\$57,283

**VILLAGE OF JENERA
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement System

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 2012 and 2011, 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, 2012.

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 Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), 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, 2012, 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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

VILLAGE OF JENERA
HANCOCK COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

7. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

Contributions to PEP	
<u>2012</u>	<u>2011</u>
\$17,939	\$14,754

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.



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
P.O. Box 57
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 Village of Jenera, Hancock County, Ohio (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and in 2011 the Village adopted Government Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider findings 2012-001 through 2012-003 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, 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 2012-003 through 2012-006.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

October 21, 2013

**VILLAGE OF JENERA
HANCOCK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness

Ohio Public Works Commission

The Village benefited from \$23,422 in 2012 and \$80,152 in 2011 in Ohio Public Works Commission (OPWC) grant funding. However, the Fiscal Officer did not record the related receipts and disbursements in the Village's accounting system or on the accompanying financial statements. This resulted in a material understatement of financial statements in the Special Revenue fund type for 2012 and 2011. The accompanying financial statements have been adjusted to correct these errors.

In order to properly account for OPWC funding, the Fiscal Officer should contact the County Engineer to obtain the amount of OPWC funding designated to the Village. The OPWC monies should be recorded as a receipt and disbursement in the Village's accounting system. This will help ensure financial activity is not understated on the Village's financial statements.

Officials' Response:

This will be corrected the next time we receive OPWC money.

FINDING NUMBER 2012-002

Material Weakness

Financial Reporting

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

- In 2012 and 2011 intergovernmental revenue was posted as miscellaneous in the General Fund in amounts ranging from \$300 to \$261,250.
- In 2012 and 2011 special assessments for street lighting were incorrectly posted as property taxes in the General Fund instead of special assessments in the Street Lighting Fund in amounts of \$4,366 and \$4,407 respectively.
- Loan proceeds of \$80,000 and sale of capital assets of \$10,628 were posted as miscellaneous revenue in the General Fund in 2011.
- In 2011 \$9,850 of intergovernmental revenue was incorrectly posted in the General Fund instead of the Sewer Operating Fund.
- In 2011 a payment of \$80,152 and in 2012 a payment of \$23,422 made by OPWC on behalf of the Village was not accounted for on the Village's books as grant revenue and capital outlay.
- In 2012 and 2011 expenses for travel transportation in the Enterprise Fund of \$434 and \$4,962, respectively, were incorrectly presented on the financial statements and should have been contractual services and materials and supplies.

**FINDING NUMBER 2012-002
(Continued)**

- In 2012 and 2011 delinquent utility receipts were incorrectly posted as property taxes in the General Fund instead of charges for services in the Enterprise Fund in amounts of \$6,255 and \$7,943 respectively.
- Adjusting entries ranging in amounts from \$10 to \$261,250 were posted to the financial statements and accounting records to correct these and other 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.

Officials' response:

We will work on correcting this.

FINDING NUMBER 2012-003

Noncompliance Citation and Material Weakness

Ohio Revised Code, § 5705.10(D), provides, 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 2011 a \$261,250 fire equipment grant and the related expenses of \$261,250 were posted to the General fund and should have been accounted for in the Fire Equipment fund.
- In 2011 and 2012 special assessment monies were posted to the General Fund and should have been posted to the Street Lighting fund in amounts of \$4,407 and \$4,366 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.

Officials' response:

This has been corrected.

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), provides in part that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. 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 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, each of 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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of an appropriate fund free from any previous encumbrance, Council can authorize the drawing of a warrant for the payment of the amount due. Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – Council 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 may, but need not, be limited to a specific vendor. 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-five percent of the transactions tested were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence Council followed the aforementioned exceptions. Rather, for each instance, the Fiscal Officer signed the fiscal certificate after the goods or services had been ordered or an invoice already received. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2012-004
(Continued)**

Officials' response:

We will work on correcting this.

FINDING NUMBER 2012-005

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), provides 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, 2011:

Fund	Appropriations	Expenditures	Excess
General Fund	\$97,098	\$169,989	\$72,891
Sewer Fund	27,809	46,317	18,508
Sewer Debt Fund	37,500	38,840	1,340

The following funds had expenditures in excess of appropriations for the year ended December 31, 2012:

Fund	Appropriations	Expenditures	Excess
General Fund	\$94,450	\$123,318	\$28,868
Street, Construction, Maintenance & Repair Fund	26,500	41,105	14,605
State Highway Fund	8,000	8,835	835
Street Lighting Fund	4,000	5,700	1,700

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.

Officials' response:

We will work on correcting this.

FINDING NUMBER 2012-006

Noncompliance Citation

Ohio Revised Code, § 5705.10(I), requires money paid into any fund be used only for the purposes for which such fund is established. Deficit fund balances denote that money from one fund was used to cover the expenses of another fund.

The General Fund had deficit balance of \$10,748 as of December 31, 2012. We recommend Council review the funds budget and determine a way in which to bring the fund out of the deficit.

Officials' response:

We will work on correcting this.

**VILLAGE OF JENERA
HANCOCK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code Section 5705.41(D) for lack of proper certification of expenditures.	No	Not corrected and repeated as finding number 2012-004 in this report.
2010-002	Material weakness due to errors in financial reporting.	No	Not corrected and repeated as finding number 2012-002 in this report.
2010-003	Ohio Revised Code Section 5705.10(D) for posting to incorrect fund.	No	Not corrected and repeated as finding number 2012-003 in this report.
2010-004	Ohio Revised Code Section 5705.41(B) for expenditures exceeding appropriations.	No	Not corrected and repeated as finding number 2012-005 in this report.

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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
NOVEMBER 12, 2013**