



Dave Yost • Auditor of State



VILLAGE OF JACKSON CENTER  
SHELBY COUNTY  
DECEMBER 31, 2016 AND 2015

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Jackson Center  
Shelby County  
122 East Pike Street  
P.O. Box 819  
Jackson Center, Ohio 45334

To the Members of 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 Jackson Center, Shelby 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 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 *Additional Opinion Qualification* 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 of Jackson Center as of December 31, 2016 and 2015, and the respective changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as expenditures and fund balance for the general fund, special revenue fund, capital projects fund, and enterprise fund for the years ended December 31, 2016 and 2015. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, 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 Jackson Center, Shelby County, as of December 31, 2016 and 2015, and 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.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the debt service fund and agency fund, and related notes of the Village of Jackson Center, Shelby County as of December 31, 2016 and 2015, and 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 9, 2018

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**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Taxes	\$151,896				\$151,896
Municipal Income Tax	1,076,331		\$207,866		1,284,197
Intergovernmental	45,959	\$84,996		\$15,000	145,955
Charges for Services	40,406	29,134			69,540
Fines, Licenses and Permits	27,120	450			27,570
Earnings on Investments	8,982	1,015	1,534	2,226	13,757
Miscellaneous	5,942	2,099		4,870	12,911
Total Cash Receipts	<u>1,356,636</u>	<u>117,694</u>	<u>209,400</u>	<u>22,096</u>	<u>1,705,826</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	274,320	40,966			315,286
Public Health Services	3,854				3,854
Leisure Time Activities	14,411				14,411
Community Environment	1,587				1,587
Transportation	164,848	77,386			242,234
General Government	356,952				356,952
Capital Outlay				533,506	533,506
<b>Debt Service:</b>					
Principal Retirement			90,685	37,656	128,341
Interest and Fiscal Charges			13,350	1,229	14,579
Total Cash Disbursements	<u>815,972</u>	<u>118,352</u>	<u>104,035</u>	<u>572,391</u>	<u>1,610,750</u>
Excess of Receipts Over (Under) Disbursements	<u>540,664</u>	<u>(658)</u>	<u>105,365</u>	<u>(550,295)</u>	<u>95,076</u>
<b>Other Financing Receipts (Disbursements):</b>					
Sale of Capital Assets	175,000				175,000
Transfers In				414,488	414,488
Transfers Out	(414,488)				(414,488)
Other Financing Uses	(2,825)				(2,825)
Total Other Financing Receipts (Disbursements)	<u>(242,313)</u>	<u>0</u>	<u>0</u>	<u>414,488</u>	<u>172,175</u>
Net Change in Fund Cash Balances	298,351	(658)	105,365	(135,807)	267,251
Fund Cash Balances, January 1	<u>399,936</u>	<u>335,471</u>	<u>429,349</u>	<u>801,161</u>	<u>1,965,917</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted	150	253,232	534,714		788,096
Committed		81,339			81,339
Assigned	107,594	242		665,354	773,190
Unassigned (Deficit)	590,543				590,543
Fund Cash Balances, December 31	<u>\$698,287</u>	<u>\$334,813</u>	<u>\$534,714</u>	<u>\$665,354</u>	<u>\$2,233,168</u>

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

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,889,996		\$2,889,996
Fines and Forfeitures		\$10,530	10,530
Miscellaneous	113,065		113,065
Total Operating Cash Receipts	<u>3,003,061</u>	<u>10,530</u>	<u>3,013,591</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	430,010		430,010
Fringe Benefits	121,494		121,494
Contractual Services	1,946,929		1,946,929
Supplies and Materials	102,010		102,010
Other	14,234	11,424	25,658
Total Operating Cash Disbursements	<u>2,614,677</u>	<u>11,424</u>	<u>2,626,101</u>
Operating Income (Loss)	<u>388,384</u>	<u>(894)</u>	<u>387,490</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Intergovernmental Revenue	35,000		35,000
Earnings on Investments	254		254
Loan Proceeds	582,596		582,596
Capital Outlay Disbursements	<u>(699,554)</u>		<u>(699,554)</u>
Total Non-Operating Receipts (Disbursements)	<u>(81,704)</u>	<u>0</u>	<u>(81,704)</u>
Net Change in Fund Cash Balance	<u>306,680</u>	<u>(894)</u>	<u>305,786</u>
Fund Cash Balances, January 1	<u>2,166,148</u>	<u>2,483</u>	<u>2,168,631</u>
Fund Cash Balances, December 31	<u><u>\$2,472,828</u></u>	<u><u>\$1,589</u></u>	<u><u>\$2,474,417</u></u>

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

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**1. REPORTING ENTITY**

The Village of Jackson Center (the Village), Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, fire and police protection, street maintenance, park operations, and water, sewer and electric utilities.

**Public Entity Risk Pools and Joint Ventures**

The Village participates in public entity risk pools and joint ventures. Notes 7 and 12 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 all proprietary and fiduciary fund types which are organized on a fund type basis.

**B. 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:

**1. 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.

**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:

**Street Construction, Maintenance and Repair Fund** – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with the Village.

**Fire Engine Fund** – The fire engine fund receives 80% of fire protection contract revenue to purchase new fire engine equipment.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Note Retirement Fund** – This fund receives proceeds of 16.7% of income tax revenue. The proceeds are being used to make debt payments related to constructing, repairing and improving water and wastewater treatment facilities for the Village.

**4. 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 funds:

**Capital Improvement Fund** – This fund receives proceeds of 25% of income tax revenue via transfers from the income tax fund, a fund rolled up into the general fund. The proceeds are being used for general municipal operations, maintenance, construction, new equipment, extension and enlargement of municipal services and facilities and capital improvements

**General Improvement Fund** – This fund receives proceeds of 8.3% of income tax revenue via transfers from the income tax fund, a fund rolled up into the general fund. The proceeds are being used for general municipal operations, maintenance, construction, new equipment, extension and enlargement of municipal services and facilities and general improvements.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** – This fund receives charges for services from residents to cover water service costs.

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

**Electric Operating Fund** – This fund receives charges for services from residents to cover electric service costs.

**6. 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 mayor's court activity.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. 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 Council 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.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

**E. 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

VILLAGE OF JACKSON CENTER  
SHELBY COUNTY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

H. 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:

**Non-spendable** – The Village classifies assets as *non-spendable* 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.

3. COMPLIANCE

Contrary to Ohio law, the Village did not utilize its capital projects funds for the purposes for which the funds were established (Ohio Rev. Code Section 5705.10(I)).

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2016 follows:

<b>2016 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$2,343,516	\$1,531,636	(\$811,880)
Special Revenue	120,841	117,694	(3,147)
Debt Service	207,617	209,400	1,783
Capital Projects	434,901	436,584	1,683
Enterprise	3,644,572	3,620,911	(23,661)
Total	\$6,751,447	\$5,916,225	(\$835,222)

<b>2016 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$2,265,612	\$1,235,804	\$1,029,808
Special Revenue	167,113	118,594	48,519
Debt Service	105,394	104,035	1,359
Capital Projects	640,775	573,076	67,699
Enterprise	3,751,077	3,318,059	433,018
Total	\$6,929,971	\$5,349,568	\$1,580,403

**5. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments 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:

	<b>2016</b>
Demand deposits	\$3,804,735
Total deposits	3,804,735
STAR Ohio	902,850
Total investments	902,850
Total deposits and investments	\$4,707,585

**A. Deposits**

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

**B. Investments**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**6. TAXES**

**A. 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.

**B. Income Taxes**

The Village levies a municipal income tax of one and a half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. RISK MANAGEMENT – PUBLIC ENTITY RISK POOL MEMBERSHIP**

**A. Ohio Municipal League Worker’s Compensation Group Rating Plan**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**B. Ohio Plan Risk Management Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the “Plan”), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.



**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**7. RISK MANAGEMENT – PUBLIC ENTITY RISK POOL MEMBERSHIP (Continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<b>2016</b>
Assets	\$14,765,712
Liabilities	(9,531,506)
Members' Equity	<u>\$5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Some 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.

**B. Ohio Police and Fire Retirement System**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2016.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security**

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

**9. POST-EMPLOYMENT BENEFITS**

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

**10. DEBT**

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan CM32A	\$12,661	0.00%
Ohio Water Development Authority Loan 3797	315,389	3.25%
Ohio Public Works Commission Loan CM13J	73,700	0.00%
Ohio Water Development Authority Loan 5375	87,946	0.00%
Ohio Public Works Commission Loan CM10P	144,836	0.00%
U.S. Bank Loan	27,289	2.75%
The Peoples Savings & Loan Company Loan	72,405	3.00%
Total	<u>\$734,226</u>	

The Ohio Public Works Commission Loan CM32A is a twenty year loan that originated in 2000 and relates to a water well construction project. The Village will repay the loan in semiannual installments of \$1,582.60 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The Ohio Water Development Authority Loan 3797 is a twenty year loan that originated in 2002 and relates to improvements made at the water treatment plant / distribution system. The Village will repay the loan in semiannual installments of \$29,140.43 at 3.25% interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The Ohio Public Works Commission Loan CM13J is a twenty year loan that originated in 2007 and relates to the installation of a six inch water main on Jackson Street within the Village. The Village will repay the loan in semi-annual installments of \$3,350 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**10. DEBT (Continued)**

The Ohio Water Development Authority Loan 5375 is a twenty year loan that originated in 2010 and relates to sanitary sewer cured in place pipe that was installed within the Village. The Village will repay the loan in semiannual installments of \$3,257.27 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

DCFS USA LLC Lease to Own originated in 2011 for a term of five years, relates to a freightliner dump/plow truck that the Village leased to own. The Village repaid the loan in annual payments of \$24,667.77 at 3.25% interest. The loan was satisfied with income tax receipts that were levied for the purpose of general municipal operations, maintenance, constructions, new equipment, extension and enlargement of municipal services and facilities and capital improvements. This loan has been paid in full.

The Ohio Public Works Commission Loan CM10P is a thirty year loan that originated in 2013 and relates to two water installations on the Village well field. The Village will repay the loan in semiannual payments of \$2,633.38 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The U.S. Bank loan originated in 2014 for a term of five years, relates to a backhoe that the Village purchased with a trade in of the old backhoe unit. The Village will repay the loan in annual payments of \$14,218.38 at 2.75% interest. The loan is satisfied with income tax receipts that were levied for the purpose of general municipal operations, maintenance, constructions, new equipment, extension and enlargement of municipal services and facilities and capital improvements.

The Peoples Savings and Loan Company loan originated in 2014 for a term of five years, relates to the upgrade of the Airstream Water Line so that they could install a sprinkler system. The Village will repay the loan in semiannual payments of \$12,733.17 at 3.00% interest. The loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The Village received loan proceeds for two new loans during 2016 that were not included in the table above because the projects were not complete at year-end and there was no available amortization schedule. During 2016, the Village received \$373,589 for OWDA loan 7315. This loan is for sewer system updates with an interest rate of 2.53% for a term of 20 years. Also during the 2016, the Village received \$209,007 for OPWC loan CM20R. This loan is for waste water treatment plant improvements with an interest rate of 0% for a term of 30 years. No payments were made on these loans during 2016. These loans are expected to be satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

During 2015, the Village issued industrial revenue bonds in the amount of \$4.3 million to finance the costs of acquiring and constructing a manufacturing facility that is owned and operated by E.M.I Corporation in the Village. The bonds are secured by the property financed and are payable solely from bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not included in the debt tables.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**10. DEBT (Continued)**

**A. Amortization**

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

<b>Year ending December 31:</b>	<b>OWDA Loans</b>	<b>OPWC Loans</b>	<b>General Obligation Loans</b>
2017	\$64,795	\$15,132	\$39,685
2018	64,795	15,132	39,685
2019	64,795	15,132	25,466
2020	64,795	15,132	
2021	64,795	11,967	
2022-2026	90,854	59,834	
2027-2031	22,801	33,034	
2032-2036		26,334	
2037-2041		26,334	
2042-2044		13,166	
Total	<u>\$437,630</u>	<u>\$231,197</u>	<u>\$104,836</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village’s project share was 2,444 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.32 percent project share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP’s pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village’s estimated share of the impaired costs at March 31, 2014 was \$425,258. The Village received a credit of \$35,463 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$110,530 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). In addition the Village made payments totaling \$65,585 leaving an estimated net impaired cost balance of \$213,680. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village’s net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant’s original project share in kW including the AMP General Fund’s project share.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**10. DEBT (Continued)**

Since March 31, 2014 the Village has made payments of \$78,794 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$4,258 and interest expense incurred on AMP's line-of-credit of \$4,984, resulting in a net impaired cost estimate at December 31, 2016 of \$144,128. The Village does have a Potential PHFU Liability of \$113,686 resulting in a net total potential liability of \$257,814, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The Village intends to recover these costs and repay AMP over the next 15 years through a power cost adjustment.

**11. CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The Village has been awarded a \$450,000 Ohio Public Works Commission zero interest loan and a \$576,000 Ohio Water Development Authority loan for improvements at the Wastewater Treatment Plant. This project will consist of replacement of the clarifier drive, mechanical works and covers for ice and algae control will be installed; the existing chlorine building will be converted to feed Alum to reduce phosphorous levels; the addition of a new tank for the ultraviolet disinfection; and the addition of a backup generator. This project is approximately 50% complete with work continuing on the clarifiers. This project should be completed the summer of 2017.

**12. JOINT VENTURES**

**A. Ohio Municipal Electric Generation Agency (OMEGA JV2)**

The Village of Jackson Center is a Financing Participant and an Owner Participant with percentages of liability and ownership of .29% and .22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village has met its debt coverage obligation.

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

**12. JOINT VENTURES (Continued)**

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2016, the outstanding debt was \$4,142,633. The Village's net obligation for this amount at December 31, 2016 was \$12,014. The Village's net investment in OMEGA JV2 was \$29,792 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	\$32,000	Grafton	0.79%	\$1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>\$127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>\$134,081</u>

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

**12. JOINT VENTURES (Continued)**

**B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)**

The Village of Jackson Center is a Financing Participant with an ownership percentage of .67%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2016, the Village has met its debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at

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

**12. JOINT VENTURES (Continued)**

February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$20,019 at December 31, 2016. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**13. RELATED PARTY TRANSACTION**

The Jackson Center Community Improvement Corporation (hereinafter referred to as "CIC") was created as a local economic development organization pursuant to State statutes. The Corporation has six members, consisting of three members from local businesses, one elected Village Council member, the Village Administrator and a chief legal officer. The Corporation was organized on December 18, 1989, under the laws of the State of Ohio as a not-for-profit corporation whose sole purpose is to advance, encourage, and promote the industrial, economic, commercial and civic development of the Village of Jackson Center, Ohio in accordance with Section 1724.10 of the Revised Code of the State of Ohio.

The Village Council passed Resolution 2016-021 effective dated November 28, 2016 authorizing the Village Administrator to enter into a simultaneous exchange agreement and an assignment and assumption of simultaneous exchange agreement, to transfer real estate to the Jackson Center Community Improvement Corporation in exchange for certain real estate from Huntington National Bank, Trustee. The Village is in possession of property located on Washington Street that is not required by the Village for a public purpose; therefore, this property was transferred to the "CIC". Huntington National Bank, Trustee will in exchange transfer real estate located on Jerry Drive that is in their possession to the "CIC" which will be deeded to the Village. The "CIC" will not pay the Village any funds for said property, since this is an even like-kind exchange with Huntington. The transfer of real estate by the "CIC" and subsequent receipt of real estate from Huntington is pursuant to the authority of Section 1724.10 of the Ohio Revised Code. This simultaneous exchange agreement as of December 31, 2016 is still in process and will be completed in 2017.

On August 8, 2016, the Council of the Village passed Ordinance 2016-015 authorizing the Village Administrator to enter into a real estate purchase agreement with Airstream, Inc. and to enter into an Assignment and Assumption of purchase agreement with the "CIC" concerning said real estate purchase agreement. The Village owned property located at 607 East Pike Street which was no longer required by the Village for a public purpose. The Village assigned its interest in the Real Estate Purchase Agreement to the "CIC". Airstream, Inc. then remitted payment for the said real estate to the "CIC" who then remitted the proceeds to the Village. The transfer of the real estate to the "CIC"; transfer of real estate by the "CIC" and subsequent purchase of said real estate by Airstream, Inc. is pursuant to the authority of Section 1724.10 of the Ohio Revised Code. The "CIC" paid the Village \$175,000 for said property.



**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**14. AMP REVENUE COVERAGE**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 12. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<b>2016</b>
Total Fund Cash Balance	\$1,713,188
<b>Condensed Operating Information:</b>	
<b>Operating Receipts:</b>	
Charges for Services	2,270,280
Other Operating Receipts	19,799
Total Operating Receipts	2,290,079
<b>Operating Expenses:</b>	
Personal Services	179,184
Employee Fringe Benefits	52,172
Contractual Services	1,683,726
Supplies and Materials	17,243
Total Operating Expenses	1,932,325
Operating Income (Loss)	357,754
<b>Non-operating Receipts (Disbursements):</b>	
Other Non-operating Receipts (Disbursements)	(74,702)
Change in Fund Cash Balance	283,052
Beginning Fund Cash Balance	1,430,136
Ending Fund Cash Balance	\$1,713,188
<b>Condensed Cash Flows Information:</b>	<b>2016</b>
Net Cash Provided (Used) by:	
Operating Activities	\$357,754
<b>Non-capital Financing Activities:</b>	
Net Cash Provided (Used) by Noncapital Financing Activities	0
<b>Capital and Related Financing Activities:</b>	
Other Capital and Related Financing Activities	(74,702)
Net Cash Provided (Used) by Capital and Related Financing Activities	(74,702)
<b>Investing Activities:</b>	
Net Cash Provided (Used) by Investing Activities	0
Net Increase (Decrease)	283,052
Beginning Fund Cash Balance	1,430,136
Ending Fund Cash Balance	\$1,713,188

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

**15. SUBSEQUENT EVENTS**

The Village settled a lawsuit that resulted in total payments of \$101,138 to the parties involved, from the Village's general fund, on August 21, 2017.

The Village Council approved a contract on February 27, 2017 in the amount of \$383,000 for a wastewater treatment plant building project. There was a subsequent change order related to this project, which brought the total contract cost to approximately \$415,000. The Village entered into a loan agreement with the Ohio Water Development Authority to fund approximately \$298,000 of the project. The remainder of the project will be paid with Village funds. The loan will be repaid with debt service funds.

The Village Council approved a contract on March 13, 2017 in the amount of \$1,266,309 for various purposes. This included a 5 acre retention pond which can hold approximately 4.5 million gallons of storm water. The pond cost was \$220,000 in which \$180,000 was grant funds and \$40,000 was Village funds. Also, South End Park is a 20 acre complex with soccer fields and walking path. It was a \$200,000 project with \$182,647 in grant funds and \$17,353 in Village Funds. Lastly, the Davis, Linden, and South Street Project consisted of new water main, storm lines, street lighting, curbs, gutters and sidewalks. The \$1,384,368 project was \$745,000 in grants funds, \$500,000 zero interest loan and \$139,368 in Village funds.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Property and Other Taxes	\$144,793				\$144,793
Municipal Income Tax	863,172		\$166,316		1,029,488
Intergovernmental	50,054	\$97,592			147,646
Charges for Services	44,653	29,584		\$1,140	75,377
Fines, Licenses and Permits	26,592	260			26,852
Earnings on Investments	3,370	436	567	1,058	5,431
Miscellaneous	16,941	5,330		3,611	25,882
Total Cash Receipts	<u>1,149,575</u>	<u>133,202</u>	<u>166,883</u>	<u>5,809</u>	<u>1,455,469</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
Security of Persons & Property	181,287	19,597			200,884
Public Health Services	4,300				4,300
Leisure Time Activities	13,204				13,204
Community Environment	1,172				1,172
Transportation	65	77,254			77,319
General Government	91,940				91,940
Capital Outlay				716,916	716,916
<b>Debt Service:</b>					
Principal Retirement			81,633	36,511	118,144
Interest and Fiscal Charges			16,195	2,375	18,570
Total Cash Disbursements	<u>291,968</u>	<u>96,851</u>	<u>97,828</u>	<u>755,802</u>	<u>1,242,449</u>
Excess of Receipts Over (Under) Disbursements	<u>857,607</u>	<u>36,351</u>	<u>69,055</u>	<u>(749,993)</u>	<u>213,020</u>
<b>Other Financing Receipts (Disbursements):</b>					
Sale of Capital Assets	11,435				11,435
Transfers In				829,586	829,586
Transfers Out	(829,586)				(829,586)
Total Other Financing Receipts (Disbursements)	<u>(818,151)</u>	<u>0</u>	<u>0</u>	<u>829,586</u>	<u>11,435</u>
Net Change in Fund Cash Balances	39,456	36,351	69,055	79,593	224,455
Fund Cash Balances, January 1	<u>360,480</u>	<u>299,120</u>	<u>360,294</u>	<u>721,568</u>	<u>1,741,462</u>
<b>Fund Cash Balances, December 31:</b>					
Restricted	1,560	241,446	429,349		672,355
Committed		93,815			93,815
Assigned	1,617	210		801,161	802,988
Unassigned (Deficit)	396,759				396,759
Fund Cash Balances, December 31	<u>\$399,936</u>	<u>\$335,471</u>	<u>\$429,349</u>	<u>\$801,161</u>	<u>\$1,965,917</u>

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

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$2,532,985		\$2,532,985
Fines and Forfeitures		\$12,454	12,454
Miscellaneous	108,137		108,137
Total Operating Cash Receipts	<u>2,641,122</u>	<u>12,454</u>	<u>2,653,576</u>
<b>Operating Cash Disbursements</b>			
Personal Services	330,172		330,172
Fringe Benefits	91,680		91,680
Contractual Services	1,728,222		1,728,222
Supplies and Materials	117,222		117,222
Other	15,500	10,935	26,435
Total Operating Cash Disbursements	<u>2,282,796</u>	<u>10,935</u>	<u>2,293,731</u>
Operating Income	<u>358,326</u>	<u>1,519</u>	<u>359,845</u>
<b>Non-Operating Receipts (Disbursements):</b>			
Earnings on Investments	107		107
Capital Outlay	<u>(94,887)</u>		<u>(94,887)</u>
Total Non-Operating Receipts (Disbursements)	<u>(94,780)</u>	<u>0</u>	<u>(94,780)</u>
Net Change in Fund Cash Balance	263,546	1,519	265,065
Fund Cash Balances, January 1	<u>1,902,592</u>	<u>964</u>	<u>1,903,556</u>
Fund Cash Balances, December 31	<u><u>\$2,166,138</u></u>	<u><u>\$2,483</u></u>	<u><u>\$2,168,621</u></u>

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

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**1. REPORTING ENTITY**

The Village of Jackson Center (the Village), Shelby County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, fire and police protection, street maintenance, park operations, and water, sewer and electric utilities.

**Public Entity Risk Pools and Joint Ventures**

The Village participates in public entity risk pools and joint ventures. Notes 7 and 11 to the financial statements provides additional information for these entities. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 all proprietary and fiduciary fund types which are organized on a fund type basis.

**B. 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:

**1. 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.

**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:

**Street Construction, Maintenance and Repair Fund** – The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets with the Village.

**Fire Engine Fund** – The fire engine fund receives 80% of fire protection contract revenue to purchase new fire engine equipment.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Funds:

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Note Retirement Fund** – This fund receives proceeds of 16.7% of income tax revenue. The proceeds are being used to make debt payments related to constructing, repairing and improving water and wastewater treatment facilities for the Village.

**4. 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 funds:

**Capital Improvement Fund** – This fund receives proceeds of 63.3% of income tax revenue via transfers from the income tax fund, a fund rolled up into the general fund. The proceeds are being used for general municipal operations, maintenance, construction, new equipment, extension and enlargement of municipal services and facilities and capital improvements.

**General Improvement Fund** – This fund receives proceeds of 20% of income tax revenue via transfers from the income tax fund, a fund rolled up into the general fund. The proceeds are being used for general municipal operations, maintenance, construction, new equipment, extension and enlargement of municipal services and facilities and general improvements.

**5. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Operating Fund** - This fund receives charges for services from residents to cover water service costs.

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

**Electric Operating Fund** – This fund receives charges for services from residents to cover electric service costs.

**6. 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 mayor's court activity.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. 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 Council 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.

**D. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2015 budgetary activity appears in Note 4.

**E. 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**H. 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:

**Non-spendable** - The Village classifies assets as *non-spendable* 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.

**3. COMPLIANCE**

Contrary to Ohio law, the Village did not utilize its capital projects funds for the purposes for which the funds were established (Ohio Rev. Code Section 5705.10(I)).



**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2015 follows:

<b>2015 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,332,070	\$1,161,010	(\$171,060)
Special Revenue	134,182	133,202	(980)
Debt Service	168,231	166,883	(1,348)
Capital Projects	850,493	835,395	(15,098)
Enterprise	2,642,304	2,641,229	(1,075)
Total	\$5,127,280	\$4,937,719	(\$189,561)

<b>2015 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,354,332	\$1,123,171	\$231,161
Special Revenue	143,078	97,061	46,017
Debt Service	105,394	97,828	7,566
Capital Projects	914,637	759,974	154,663
Enterprise	2,798,643	2,384,897	413,746
Total	\$5,316,084	\$4,462,931	\$853,153

**5. DEPOSITS AND INVESTMENTS**

The Village maintains a deposit and investments 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:

	<b>2015</b>
Demand deposits	\$3,236,496
Total deposits	3,236,496
STAR Ohio	898,042
Total investments	898,042
Total deposits and investments	\$4,134,538

**A. Deposits**

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

**B. Investments**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**6. TAXES**

**A. 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.

**B. Income Taxes**

The Village levies a municipal income tax of one and a half percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. RISK MANAGEMENT – PUBLIC ENTITY RISK POOL MEMBERSHIP**

**A. Ohio Municipal League Worker’s Compensation Group Rating Plan**

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker’s compensation. The pool’s business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

**B. Ohio Plan Risk Management Pool**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**7. RISK MANAGEMENT – PUBLIC ENTITY RISK POOL MEMBERSHIP (Continued)**

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members’ Equity	\$5,531,637	\$5,887,681

You can read the complete audited financial statements for OPRM at the Plan’s website, [www.ohioplan.org](http://www.ohioplan.org).

**8. DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Some 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.

**B. Ohio Police and Fire Retirement System**

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.5% of their wages for January through June and 12.25% for July through December. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security**

Several of the Village's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**9. POST-EMPLOYMENT BENEFITS**

Both OPERS and OP&F offer 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. OP&F contributes 0.5 percent to fund these benefits.

**10. DEBT**

Debt outstanding at December 31, 2015 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission Loan CM32A	\$15,826	0.00%
Ohio Water Development Authority Loan 3797	362,273	3.25%
Ohio Public Works Commission Loan CM13J	80,400	0.00%
Ohio Water Development Authority Loan 5375	94,461	0.00%
DCFS USA LLC Lease to Own	24,566	3.25%
Ohio Public Works Commission Loan CM10P	150,103	0.00%
U.S. Bank Loan	40,380	2.75%
The Peoples Savings & Loan Company Loan	95,107	3.00%
Total	<b>\$863,116</b>	

The Ohio Public Works Commission Loan CM32A is a twenty year loan that originated in 2000 and relates to a water well construction project. The Village will repay the loan in semiannual installments of \$1,582.60 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The Ohio Water Development Authority Loan 3797 is a twenty year loan that originated in 2002 and relates to improvements made at the water treatment plant / distribution system. The Village will repay the loan in semiannual installments of \$29,140.43 at 3.25% interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The Ohio Public Works Commission Loan CM13J is a twenty year loan that originated in 2007 and relates to the installation of a six inch water main on Jackson Street within the Village. The Village will repay the loan in semi-annual installments of \$3,350 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**10. DEBT (Continued)**

The Ohio Water Development Authority Loan 5375 is a twenty year loan that originated in 2010 and relates to sanitary sewer cured in place pipe that was installed within the Village. The Village will repay the loan in semiannual installments of \$3,257.27 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

DCFS USA LLC Lease to Own originated in 2011 for a term of five years, relates to a freightliner dump/plow truck that the Village leased to own. The Village will repay the loan in annual payments of \$24,667.77 at 3.25% interest. The loan was satisfied with income tax receipts that were levied for the purpose of general municipal operations, maintenance, constructions, new equipment, extension and enlargement of municipal services and facilities and capital improvements.

The Ohio Public Works Commission Loan CM10P is a thirty year loan that originated in 2013 and relates to two water installations on the Village well field. The Village will repay the loan in semiannual payments of \$2,633.38 at zero percent interest. This loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

The U.S. Bank loan originated in 2014 for a term of five years, relates to a backhoe that the Village purchased with a trade in of the old backhoe unit. The Village will repay the loan in annual payments of \$14,218.38 at 2.75% interest. The loan is satisfied with income tax receipts that were levied for the purpose of general municipal operations, maintenance, constructions, new equipment, extension and enlargement of municipal services and facilities and capital improvements.

The Peoples Savings and Loan Company loan originated in 2014 for a term of five years, relates to the upgrade of the Airstream Water Line so that they could install a sprinkler system. The Village will repay the loan in semiannual payments of \$12,733.17 at 3.00% interest. The loan is satisfied with income tax receipts that were levied for the purpose of constructing, repairing and improving water and wastewater treatment facilities for the Village.

During 2015, the Village issued industrial revenue bonds in the amount of \$4.3 million to finance the costs of acquiring and constructing a manufacturing facility that is owned and operated by E.M.I Corporation in the Village. The bonds are secured by the property financed and are payable solely from bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Village, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not included in the debt tables.

**Amortization**

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

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**10. DEBT (Continued)**

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>General Obligation Loans/Lease</u>
2016	\$64,795	\$15,132	\$53,903
2017	64,795	15,132	51,161
2018	64,795	15,132	39,685
2019	64,795	15,132	25,466
2020	64,795	15,132	
2021-2025	149,134	59,834	
2026-2030	29,316	39,734	
2031-2035		26,334	
2036-2040		26,334	
2041-2044		18,433	
Total	<u>\$502,425</u>	<u>\$246,329</u>	<u>\$170,215</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's share was 2,444 kilowatts of a total 771,281 kilowatts, giving the Village a 0.32 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not made due to AMP's pursuit of legal action to void them. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share at March 31, 2014, of the impaired costs is \$425,258. The Village received a credit of \$35,463 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$110,530 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$65,585 leaving a net impaired cost estimate of \$213,680. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the Village's payments. Since March 31, 2014 the Village has made payments of \$50,304 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$3,249 and interest expense incurred on AMP's line-of-credit of \$2,755, resulting in a net impaired cost estimate at December 31, 2015 of \$169,380.

The Village intends to recover these costs and repay AMP over the next 16 years through a power cost adjustment.

**11. JOINT VENTURES**

**A. Ohio Municipal Electric Generation Agency (OMEGA JV2)**

The Village of Jackson Center is a Financing Participant and an Owner Participant with percentages of liability and ownership of .29% and .22% respectively and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

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

**11. JOINT VENTURES (Continued)**

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. Under the terms of the Agreement each Financing Participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015, the Village has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2015, the outstanding debt was \$8,052,470. The Village's net obligation for this amount at December 31, 2015 was \$23,352. The Village's net investment in OMEGA JV2 was \$37,115 at December 31, 2015. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2015 are:

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

**11. JOINT VENTURES (Continued)**

<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>	<u>Municipality</u>	<u>Percent Ownership</u>	<u>Kw Entitlement</u>
Hamilton	23.87%	\$32,000	Grafton	0.79%	\$1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Mary's	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	<u>95.20%</u>	<u>127,640</u>		<u>4.80%</u>	<u>6,441</u>
			Grand Total	<u>100.00%</u>	<u>\$134,081</u>

**B. Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)**

The Village of Jackson Center is a Financing Participant with an ownership percentage of .67%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.



**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**11. JOINT VENTURES (Continued)**

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2015 the Village has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. Due to scheduled principal repayments, the resulting note receivable has been reduced at December 31, 2015 to \$49,803,187.\* AMP will continue to collect debt service from the OMEGA JV5 participants until the note is paid in full.

The Village's net investment to date in OMEGA JV5 was \$20,019 at December 31, 2015. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

Subsequent to year end, on January 19, 2016, OMEGA JV5 issued the Beneficial Interest Refunding Certificates, Series 2016 (the "2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding.

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**12. AMP REVENUE COVERAGE**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 11. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

	<b>2015</b>
Total Fund Cash Balance	\$1,430,136
<b>Condensed Operating Information:</b>	
<b>Operating Receipts:</b>	
Charges for Services	1,980,203
Other Operating Receipts	23,525
Total Operating Receipts	2,003,728
<b>Operating Expenses:</b>	
Personal Services	138,124
Employee Fringe Benefits	37,591
Contractual Services	1,484,308
Supplies and Materials	16,253
Total Operating Expenses	1,676,276
Operating Income (Loss)	327,452
<b>Non-operating Receipts (Disbursements):</b>	
Other Non-operating Receipts (Disbursements)	(69,097)
Change in Fund Cash Balance	258,355
Beginning Fund Cash Balance	1,171,781
Ending Fund Cash Balance	\$1,430,136
<b>Condensed Cash Flows Information:</b>	2015
Net Cash Provided (Used) by:	
Operating Activities	\$327,452
<b>Non-capital Financing Activities:</b>	
Net Cash Provided (Used) by Noncapital Financing Activities	0
<b>Capital and Related Financing Activities:</b>	
Other Capital and Related Financing Activities	(69,097)
Net Cash Provided (Used) by Capital and Related Financing Activities	(69,097)
<b>Investing Activities:</b>	
Net Cash Provided (Used) by Investing Activities	0
Net Increase (Decrease)	258,355
Beginning Fund Cash Balance	1,171,781
Ending Fund Cash Balance	\$1,430,136

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

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

**13. SUBSEQUENT EVENTS**

The Village settled a lawsuit that resulted in total payments of \$101,138 to the parties involved, from the Village's general fund, on August 21, 2017.

The Village Council approved a contract on February 27, 2017 in the amount of \$383,000 for a wastewater treatment plant building project. There was a subsequent change order related to this project, which brought the total contract cost to approximately \$415,000. The Village entered into a loan agreement with the Ohio Water Development Authority to fund approximately \$298,000 of the project. The remainder of the project will be paid with Village funds. The loan will be repaid with debt service funds.

The Village Council approved a contract on March 13, 2017 in the amount of \$1,266,309 for various purposes. This included a 5 acre retention pond which can hold approximately 4.5 million gallons of storm water. The pond cost was \$220,000 in which \$180,000 was grant funds and \$40,000 was Village funds. Also, South End Park is a 20 acre complex with soccer fields and walking path. It was a \$200,000 project with \$182,647 in grant funds and \$17,353 in Village Funds. Lastly, the Davis, Linden, and South Street Project consisted of new water main, storm lines, street lighting, curbs, gutters and sidewalks. The \$1,384,368 project was \$745,000 in grants funds, \$500,000 zero interest loan and \$139,368 in Village funds.

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# 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 Jackson Center  
Shelby County  
122 East Pike Street  
P.O. Box 819  
Jackson Center, Ohio 45334

To the Members of 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 the cash balances, receipts, and disbursements by fund type of the Village of Jackson Center, Shelby County, (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 February 9, 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 qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as expenditures and fund balance for the general fund, special revenue fund, capital projects fund, and enterprise fund.

### ***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 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***Village'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

February 9, 2018

**VILLAGE OF JACKSON CENTER  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2016-001**

**NONCOMPLIANCE/MATERIAL WEAKNESS**

Ohio Rev. Code Section 5705.10(l) requires money paid into any fund shall be used only for the purposes for which such fund is established.

Governmental Accounting Standards Board (GASB) Statement 54, paragraph 33 (GASB Codification 1300.106) states that capital projects funds are used to 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. Capital projects funds excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

During 2016 and 2015, the Village charged numerous expenditures that were not of a capital outlay nature to two separate capital projects funds. In addition, all of the Village's expenditures charged to the capital projects funds were charged to the capital outlay expenditure line item, despite not all being capital-outlay related. The total expenditures charged to capital projects funds for 2016 was \$572,391 (\$38,885 was reclassified as principal and interest expenditures) and the total expenditures charged to capital projects funds for 2015 was \$755,802 (\$38,886 was reclassified as principal and interest expenditures). Capital projects funds reported 36% and 61% of total governmental expenditures during 2016 and 2015, respectively.

Payroll-related expenditures (none of a capital outlay nature) charged to capital projects funds during 2016 and 2015 totaled \$4,443 and \$213,038, respectively.

We tested \$235,626 of non-payroll expenditures for 2016. It was determined that \$22,513 (or 9.6% of the total tested) were charged to the capital projects fund, but were not of a capital outlay nature. We tested \$222,105 of non-payroll expenditures for 2015. It was determined that \$52,795 (or 24% of the total tested) were charged to the capital projects fund, but were not of a capital outlay nature.

Due to the nature of the activity, we could not determine an adjustment amount and the funds to re-distribute the errors to for the 2016 and 2015 financial statements; therefore, we have modified our financial statement opinion related to all expenditures and fund balance (except for debt service and agency funds) of the Village for 2016 and 2015.

The source of the funds in these capital projects funds is income tax revenue, which based on the Village's income tax legislation, were spent for allowable purposes during the audit period; however, because many of the expenditures charged to the capital projects fund were not of a capital outlay nature, such expenditures should have been accounted for in another Village fund.

Failure to charge all expenditures to a proper fund based on the nature of the expenditure and the related revenues of the fund could lead to unreliable financial statement information and a modified financial statement opinion.

Policies and procedures should be developed and implemented to verify that all expenditures are posted to the correct fund and line item. The Village should only record an expenditure to a capital projects fund if the expenditure meets the definition of a capital projects fund as defined by GASB above. The Village should also perform a comprehensive review of all funds to verify that financial activity is recorded and reported in the proper fund type.

**FINDING NUMBER 2016-001  
(Continued)**

**Officials' Response:**

This response will cover Findings 2016-001, 2016-002, and 2016-003, (collectively "Findings" or individually "001", "002", or "003"). The Village agrees with the statement in 001 that, "*The source of the funds in these capital project funds is income tax revenue, which based on the Village's income tax legislation, were spent for allowable purposes during the audit period; ...*" While the Findings are items to consider for Village Council and Village Management, nothing in these Findings indicates any public money whatsoever was misspent.

Finding 001 largely concerns financial statement presentation and classification pursuant to GASB Statement 54, Fund Balance Reporting, issued February 2009. The Village's income tax legislation and procedures related to receipt of income tax dollars into the Village's Funds was adopted in 1974 and has been consistently followed for over forty (40) years, through numerous audits. To the best of our knowledge, this is the first time this GASB 54 issue has been raised.

Findings 002 and 003 concern routine adjustments, which are the purpose of audits. These two Findings were all adjusted for audited financial statement purposes, so there is no misstatement whatsoever related to these Findings in the audited financial statements.

The Village acknowledges and understands the Findings are matters to consider. The Village will investigate policies and procedures and perform a comprehensive review of all funds including reviewing GASB Statement 54, Auditor of State Bulletin 2011-004, and the Uniform Accounting Network (UAN) Chart of Accounts, in an effort to address these matters.

**FINDING NUMBER 2016-002**

**MATERIAL WEAKNESS – FUND BALANCE ERRORS**

Governmental Accounting Standards Board (GASB) Statement 54, paragraph 30 (GASB Codification 1300.105) states that a special revenue fund requires that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Paragraph 31 continues that the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. Other revenues (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specific purpose of the fund. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

The Village reported all activity related to income tax collection and distribution in a special revenue fund (income tax fund) for 2016 and 2015. However, 1.25% of the Village's 1.50% income tax was for the purposes of general municipal operations, constructions, maintenance of new equipment, extension and enlargement of municipal services and facilities and capital improvements of the Village. Therefore, this portion of the income tax collection is not derived from a restricted or committed revenue source given the broad allowable use of the funds. Rather than being reported as a separate special revenue fund, the related activity should have been reported in the general fund. The financial statements were adjusted to correct the following errors related to income tax activity:

- 2016 general fund general government expenditures were understated by \$38,258, transfers out were understated by \$414,488, transfers in were overstated by \$622,354, and income tax revenue was understated by \$1,075,100.



- 2016 special revenue fund income tax revenue was overstated by \$1,282,996, general government expenditures were overstated by \$38,258, and transfers out were overstated by \$1,244,708.
- 2015 general fund general government expenditures were understated by \$32,942, transfers out were understated by \$829,586, and income tax revenue was understated by \$862,528.
- 2015 special revenue fund income tax revenue was overstated by \$1,028,844, general government expenditures were overstated by \$32,942, and transfers out were overstated by \$995,902.
- 2016 and 2015 beginning and ending fund balance was overstated by \$84,775 for the special revenue fund and understated by the same amount for the general fund.

GASB Statement 54, paragraph 16 (GASB Codification 1800.176) states, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The Village failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent year at year-end 2016 in the amount of \$105,075. This amount should have been classified as assigned fund balance rather than unassigned fund balance in the general fund. The financial statements have been adjusted for this error.

GASB Statement 54, paragraph 10 (GASB Codification 1800.170) states that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. In a previous year, the Village Council established a fire engine fund via Village ordinance to receive a portion of fire contract revenue. Given the Village Council's establishment of the fund for a specific purpose, the fund balance should have been reported as committed fund balance in the special revenue fund; however, the fund balance was incorrectly classified as restricted fund balance in the amounts of \$81,339 and \$93,815 for 2016 and 2015, respectively. The financial statements have been adjusted for these errors.

GASB Statement 54, paragraph 13 states (GASB Codification 1800.173), in part, that amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. GASB Statement 54, paragraph 15 (GASB Codification 1800.175) continues, in part, that by reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the government has assigned those amounts to the purposes of the respective funds. The Village's capital improvement fund and general improvement fund has been funded primarily by transfers from the Village's unrestricted income tax. These amounts do not meet the restricted or committed designation, but the related activity is reported in capital projects funds and therefore should be reported as assigned fund balance; however, at year-end 2016 and 2015, these amounts were incorrectly classified as restricted in the amounts of \$665,354 and \$796,989, respectively. The financial statements have been adjusted for these errors.

Failure to properly classify fund balances and activity could lead to misstated financial statements and misleading financial statement information.

The Village should perform a review of all Village funds and determine proper reporting of fund balances in accordance with GASB Statement 54 requirements and also review Auditor of State Bulletin 2011-004 for additional guidance.

**Officials' Response:**

See the response above to Finding 2016-001.

**FINDING NUMBER 2016-003**

**MATERIAL WEAKNESS – FINANCIAL STATEMENT ERRORS**

The Village's financial statements were reported on the regulatory cash basis of accounting for 2016 and 2015. The following errors were identified on the Village's financial statements:

- The Village recorded the proceeds from the sale of buildings as miscellaneous revenue rather than sale of capital assets in the general fund in the amount of \$175,000 and \$11,435 for 2016 and 2015, respectively. The financial statements were adjusted for these errors.
- Motor vehicle license tax revenue was incorrectly recorded as property tax revenue instead of intergovernmental revenue in the special revenue fund in the amount of \$24,129 for 2016 and \$24,514 for 2015. The financial statements were adjusted for these errors.
- In 2016 and 2015, income tax revenue for the debt service fund was incorrectly recorded as a transfer in the amount of \$207,866 and \$166,316, respectively, rather than income tax revenue. The financial statements were adjusted for these errors.
- In 2016 and 2015, debt payments in the capital projects fund were incorrectly classified as capital outlay in the amounts of \$38,885 and \$38,886, respectively, instead of principal retirement and interest and fiscal charges in the amounts of \$37,656 and \$1,229, and \$36,511 and \$2,375, respectively. The financial statements were adjusted for these errors.
- In 2016, loan proceeds from Ohio Water Development Authority in the amount of \$373,589 and from Ohio Public Works Commission in the amount of \$209,007 were incorrectly recorded as intergovernmental revenue instead of loan proceeds in the enterprise fund. The financial statements were adjusted for these errors.
- Mayor's Court activity should be accounted for in an agency fund; however, there was no agency fund activity reported for either year of the audit period. For 2015, the adjusted amounts were as follows: beginning balance of \$964, fines and forfeitures revenue of \$12,454, and other expenditures of \$10,935. For 2016, the adjusted amounts were as follows: beginning balance of \$2,483, fines and forfeitures revenue of \$10,530 and other expenditures of \$11,424. The financial statements were adjusted for these errors.
- Rather than properly recording just the portion of Mayor's court revenue due to the Village's general fund, the Village incorrectly accounted for all Mayor's court activity in the general fund. This resulted in an overstatement of revenue (fines, licenses and permits) and expenditures (general government) in the amounts of \$3,627 and \$3,081 for 2016 and 2015, respectively. These errors were not adjusted on the financial statements.
- Special assessment revenue in the general fund in 2015 was incorrectly recorded as miscellaneous revenue rather than special assessment revenue in the amount of \$1,724. This error was not adjusted on the financial statements.

Failure to properly record financial activity could lead to material financial statement errors and misleading financial statement information.

Policies and procedures should be developed and implemented to verify that all financial activity is recorded correctly. To assist in this process, the Village should review the Uniform Accounting Network (UAN) chart of accounts.

**Officials' Response:**

See the response above to Finding 2016-001.



# Dave Yost • Auditor of State

VILLAGE OF JACKSON CENTER

SHELBY 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 17, 2018