

**VILLAGE OF ADENA
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Adena
PO Box 507
Adena, Ohio 43901-0507

We have reviewed the *Independent Accountants' Report* of the Village of Adena, Jefferson County, prepared by Knox & Knox for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Adena is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 5, 2008

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VILLAGE OF ADENA
JEFFERSON COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Adena
Jefferson County
P.O. Box 507
Adena, Ohio 43901-0507

To the Village Council:

We have audited the accompanying financial statements of the Village of Adena, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position and cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Adena, Jefferson County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements and cash flows for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
May 14, 2008

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VILLAGE OF ADENA
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:			
Property and Other Local Taxes	\$34,372	\$55,477	\$89,849
Intergovernmental Revenue	80,445	81,166	161,611
Miscellaneous	8,719	5,361	14,080
	<u>123,536</u>	<u>142,004</u>	<u>265,540</u>
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	10,160	115,111	125,271
Public Health Services	750		750
Leisure Time		6,130	6,130
Transportation		40,680	40,680
General Government	95,035		95,035
Capital Outlay		14,782	14,782
	<u>105,945</u>	<u>176,703</u>	<u>282,648</u>
Total Receipts Over/(Under) Disbursements	17,591	(34,699)	(17,108)
Fund Cash Balances, January 1	<u>319</u>	<u>111,493</u>	<u>111,812</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$17,910</u></u>	<u><u>\$76,794</u></u>	<u><u>\$94,704</u></u>

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

VILLAGE OF ADENA
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Types Enterprise</u>
OPERATING CASH RECEIPTS	
Charge for Services	<u>\$330,029</u>
Total Operating Cash Receipts	<u>330,029</u>
OPERATING CASH DISBURSEMENTS	
Personal Service	56,327
Contractual Service	85,767
Supplies and Materials	19,217
Capital Outlay	<u>8,912</u>
Total Operating Cash Disbursements	<u>170,223</u>
Operating Income/(Loss)	159,806
NON-OPERATING CASH DISBURSEMENTS	
Principal Payments	101,400
Interest Payments	<u>50,584</u>
Total Non-Operating Cash Disbursements	<u>151,984</u>
Net Receipts Over/(Under) Disbursements	7,822
Fund Cash Balances, January 1	<u>32,762</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$40,584</u></u>

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

VILLAGE OF ADENA
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Property and Other Local Taxes	\$27,219	\$45,636	\$72,855
Intergovernmental Revenue	57,840	196,109	253,949
Miscellaneous and Cable Fees	8,701	6,370	15,071
Total Cash Receipts	93,760	248,115	341,875
CASH DISBURSEMENTS:			
Current:			
Security of Persons and Property	10,120	114,230	124,350
Public Health Services	746		746
Leisure Time		5,097	5,097
Transportation		55,994	55,994
General Government	59,664	331	59,995
Capital Outlay	4,887	28,684	33,571
Total Cash Disbursements	75,417	204,336	279,753
Total Receipts Over/(Under) Disbursements	18,343	43,779	62,122
OTHER FINANCING RECEIPTS/DISBURSEMENTS			
Transfers In	1,856	28,077	29,933
Transfers Out	(28,077)		(28,077)
Total Other Financing Receipts/(Disbursements)	(26,221)	28,077	40,832
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing	(7,878)	71,856	63,978
Fund Cash Balances, January 1	8,197	39,637	47,834
FUND CASH BALANCES, DECEMBER 31	\$319	\$111,493	\$111,812

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

VILLAGE OF ADENA
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
OPERATING CASH RECEIPTS			
Charge for Services	\$294,480		\$294,480
Fines, Licenses, and Permits		\$1,856	1,856
Miscellaneous and Cable Fees	9,746		9,746
	<u>304,226</u>	<u>1,856</u>	<u>306,082</u>
OPERATING CASH DISBURSEMENTS			
Personal Service	54,414		54,414
Contractual Service	87,457		87,457
Supplies and Materials	33,345		33,345
Capital Outlay	1,716		1,716
	<u>176,932</u>	<u>1,856</u>	<u>178,788</u>
Operating Income/(Loss)	<u>127,294</u>	<u>1,856</u>	<u>129,150</u>
NON-OPERATING CASH DISBURSEMENTS			
Transfers Out		1,856	1,856
Principal Payments	100,200		100,200
Interest Payments	42,365		42,365
	<u>142,565</u>	<u>1,856</u>	<u>144,421</u>
Net Receipts Over/(Under) Disbursements	(15,271)		(15,271)
Fund Cash Balances, January 1	<u>48,033</u>	<u>1,856</u>	<u>49,889</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$32,762</u></u>	<u><u>1,856</u></u>	<u><u>\$34,618</u></u>

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

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Adena, Jefferson County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, street maintenance and repair, park operations (leisure time activities), and police protection. The Village contracts with Adena Volunteer Fire Department to receive fire protection.

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

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 adequately disclose material matters the Auditor of State prescribes.

C. **FUND ACCOUNTING**

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

1. **General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

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

Street Improvement Fund - This fund receives tax levy money for new construction and repair of Village streets.

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing roads and bridges.

Fire Levy Fund - This fund receives local tax monies and charges for services for the purpose of providing fire protection services to the Village.

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

C. **FUND ACCOUNTING** (continued)

2. **Special Revenue Funds** (continued)

Police Levy Fund - This fund receives property tax money to provide police protection to the Village.

3. **Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

Water Revenue Fund - This fund receives charges for services from residents to cover the cost of providing water service.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing sewer service.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the department, division or office level of control, and within each of the amounts appropriated for personal services. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

E. **PROPERTY, PLANT AND EQUIPMENT**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	\$115,288	\$124,574
Certificates of deposit	20,000	20,000
Total deposits	\$135,288	\$144,574

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005, follows:

Fund Type	2006 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$120,000	\$123,536	\$3,536
Special Revenue	135,965	142,004	6,039
Enterprise	291,000	330,029	39,029
Total	\$546,965	\$595,569	\$48,604

Fund Type	2006 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,954	\$105,945	\$5,009
Special Revenue	257,749	176,703	81,046
Enterprise	307,720	322,207	(14,487)
Total	\$676,423	\$604,855	\$71,568

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. **BUDGETARY ACTIVITY** (continued)

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$126,053	\$95,616	(\$30,437)
Special Revenue	332,753	276,192	(56,561)
Enterprise	333,878	304,226	(29,652)
Total	<u>\$792,684</u>	<u>\$676,034</u>	<u>(\$116,650)</u>

<u>Fund Type</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$126,054	\$103,492	\$22,562
Special Revenue	331,771	204,336	127,435
Enterprise	325,816	319,497	6,319
Total	<u>\$783,641</u>	<u>\$627,325</u>	<u>\$156,316</u>

Contrary to Ohio law, expenditures exceeded appropriations in the Enterprise Fund type in 2006.

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments for first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owner, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. **DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest</u>
Ohio Water Development Authority	\$708,277	2%-8.04%
Water Revenue Bonds	76,000	5%
General Obligations	31,093	5.50%
	<u>\$815,370</u>	

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

5. **DEBT** (continued)

The Ohio Water Development Authority (OWDA) loans were issued for long term construction projects of the Village's sewer system and were issued for twenty-five years each. Future utility revenue of the Village has been pledged to repay the loans.

Water Revenue Bonds were issued to pay for the water projects within the Village. Future water utility revenue has been pledged to repay the bonds.

The Water General Obligation Note was issued to pay the debt owed to Tri-County Water for water purchases. Future water utility revenue has been pledged to repay the note.

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

Year ended December 31:	OWDA 1442		
	Principal	Interest	Total
2007	\$6,570	\$4,899	\$11,469
2008	7,098	4,439	11,537
2009	7,669	3,942	11,611
2010	8,286	3,405	11,691
2011	8,952	2,825	11,777
2012-2016	31,410	4,511	35,921
Totals	<u>\$69,985</u>	<u>\$24,021</u>	<u>\$94,006</u>

Year ended December 31:	OWDA 3755		
	Principal	Interest	Total
2007	\$30,526	\$12,076	\$42,602
2008	31,140	11,462	42,602
2009	31,765	10,837	42,602
2010	32,403	10,198	42,601
2011	33,055	9,547	42,602
2012-2016	175,513	37,496	213,009
2017-2021	193,876	19,134	213,010
2022-2033	59,060	2,088	85,204
Totals	<u>\$587,338</u>	<u>\$112,838</u>	<u>\$724,232</u>

Year ended December 31:	OWDA 1443		
	Principal	Interest	Total
2007	\$3,796	\$3,567	\$7,363
2008	4,098	3,301	7,399
2009	4,424	3,014	7,438
2010	4,776	2,705	7,481
2011	5,156	2,370	7,526
2012-2016	28,704	5,829	34,533
Totals	<u>\$50,954</u>	<u>\$20,786</u>	<u>\$71,740</u>

VILLAGE OF ADENA
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

5. **DEBT** (continued)

Year ended December 31:	Water Revenue Bonds		
	Principal	Interest	Total
2007	\$7,000	\$3,800	\$10,800
2008	7,000	3,450	10,450
2009	8,000	3,100	11,100
2010	8,000	2,700	10,700
2011	8,000	2,300	10,300
2012-2016	38,000	4,850	42,850
Totals	<u>\$76,000</u>	<u>\$20,200</u>	<u>\$96,200</u>

Year ended December 31:	General Obligation Note		
	Principal	Interest	Total
2007	\$18,314	\$1,253	\$19,567
2008	12,779	265	13,044
Totals	<u>\$31,093</u>	<u>\$1,518</u>	<u>\$32,611</u>

6. **RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006

7. **RISK MANAGEMENT**

The Village belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administrative self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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KNOX & KNOX

Accountants and Consultants

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

Village of Adena
Jefferson County
P.O. Box 507
Adena, Ohio 43901-0507

To the Village Council:

We have audited the accompanying financial statements of the Village of Adena, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 14, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider a material weakness, and is shown in the accompanying schedule as Finding 2006-03. We noted other matters that we reported to the Village's management in a separate letter dated May 14, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* and are shown in the accompanying schedule as Findings 2006-01 and 2006-02.

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

KNOX & KNOX

Orrville, Ohio
May 14, 2008

VILLAGE OF ADENA
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Village expenditures exceeded appropriations in the following instances for 2006 and 2005:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Enterprise (2006)	\$307,720	\$322,207	(\$14,487)

The failure to limit expenditures plus encumbrances to the amount appropriated by the Village Council could result in overspending and negative cash balances. The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Client Response: None

FINDING NUMBER 2006-02

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office should file an annual financial report. The Village did not file its 2006 report with the Auditor of State.

We recommend that the Clerk/Treasurer prepare and file the annual report with the Auditor of State within 60 days after the close of the fiscal year. We also recommend a notice of the availability of the report for public inspection be published in the local paper.

Client Response: None

FINDING NUMBER 2006-03

Significant Deficiency

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

Client Response: None

VILLAGE OF ADENA
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2004-01	Ohio Revised Code 5705.10 - Two funds had negative balances.	Yes	Finding no longer valid
2004-02	Ohio Revised Code Section 5705.41(B) - Expenditures exceeded appropriations.	No	Repeated as finding number 2006-01
2004-03	Ohio Revised Code Section 5705.41 (D) - Expenditures were not properly certified	Yes	Finding no longer valid
2004-04	Significant Deficiency - Failure to follow a uniform chart of accounts	No	Repeated as finding number 2006-04



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADENA

JEFFERSON 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
JUNE 17, 2008**