



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADELPHI
ROSS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	22

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 30, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

We have audited the accompanying financial statements of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Adelphi, Ross County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 30, 2009

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 2,723	\$ 9,722	\$ 12,445
Intergovernmental	37,578	18,231	55,809
Fines, Licenses and Permits	4,999	-	4,999
Earnings on Investments	746	1,763	2,509
Miscellaneous	1,536	4,120	5,656
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	47,582	33,836	81,418
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	-	13,376	13,376
Transportation	-	7,815	7,815
General Government	45,441	-	45,441
Debt Service:			
Redemption of Principal	2,296	5,581	7,877
Interest and Fiscal Charges	324	1,315	1,639
Capital Outlay	-	641	641
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	48,061	28,728	76,789
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(479)	5,108	4,629
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	30,950	89,324	120,274
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$ 30,471</u>	<u>\$ 94,432</u>	<u>\$ 124,903</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ 538	\$ -	\$ 538
	<hr/>	<hr/>	<hr/>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 51,261
Total Operating Cash Receipts	51,261
Operating Cash Disbursements:	
Personal Services	3,463
Employee Fringe Benefits	58
Contractual Services	20,600
Other	4,943
Total Operating Cash Disbursements	29,064
Operating Income	22,197
Non-Operating Cash Receipts:	
Other Debt Proceeds	161,838
Total Non-Operating Cash Receipts	161,838
Non-Operating Cash Disbursements:	
Capital Outlay	141,238
Redemption of Principal	38,428
Interest and Other Fiscal Charges	13,981
Total Non-Operating Cash Disbursements	193,647
Net Receipts (Under) Disbursements	(9,612)
Fund Cash Balances, January 1	18,936
Fund Cash Balances, December 31	\$ 9,324
Reserve for Encumbrances, December 31	\$ 201

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 2,670	\$ 9,650	\$ 12,320
Intergovernmental	37,351	29,052	66,403
Fines, Licenses and Permits	3,981	-	3,981
Earnings on Investments	3,242	2,494	5,736
Miscellaneous	2,103	8,897	11,000
	<u>49,347</u>	<u>50,093</u>	<u>99,440</u>
Total Cash Receipts			
	<u>49,347</u>	<u>50,093</u>	<u>99,440</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	81	26,426	26,507
Transportation	-	14,859	14,859
General Government	47,046	-	47,046
Debt Service:			
Redemption of Principal	2,902	1,972	4,874
Interest and Fiscal Charges	108	648	756
	<u>50,137</u>	<u>43,905</u>	<u>94,042</u>
Total Cash Disbursements			
	<u>50,137</u>	<u>43,905</u>	<u>94,042</u>
Total Receipts Over/(Under) Disbursements	<u>(790)</u>	<u>6,188</u>	<u>5,398</u>
Other Financing Receipts:			
Sale of Fixed Assets	-	225	225
	<u>-</u>	<u>225</u>	<u>225</u>
Total Other Financing Receipts			
	<u>-</u>	<u>225</u>	<u>225</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(790)</u>	<u>6,413</u>	<u>5,623</u>
Fund Cash Balances, January 1	<u>31,740</u>	<u>82,911</u>	<u>114,651</u>
Fund Cash Balances, December 31	<u>\$ 30,950</u>	<u>\$ 89,324</u>	<u>\$ 120,274</u>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 40,824
Total Operating Cash Receipts	<u>40,824</u>
Operating Cash Disbursements:	
Personal Services	3,240
Employee Fringe Benefits	248
Contractual Services	11,047
Other	<u>1,350</u>
Total Operating Cash Disbursements	<u>15,885</u>
Operating Income	<u>24,939</u>
Non-Operating Cash Receipts:	
Other Debt Proceeds	<u>11,047</u>
Total Non-Operating Cash Receipts	<u>11,047</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	20,183
Interest and Other Fiscal Charges	<u>5,388</u>
Total Non-Operating Cash Disbursements	<u>25,571</u>
Net Receipts Over Disbursements	10,415
Fund Cash Balances, January 1	<u>8,521</u>
Fund Cash Balances, December 31	<u>\$ 18,936</u>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Adelphi, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services and sewer utilities. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. Beginning in November 2008 the Village contracted with Colerain Township to provide Village residents with fire protection and emergency medical services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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

Fire Levy Fund – This fund receives property taxes to finance fire and rescue services to the Village.

Ambulance and EMS Levy Fund – This fund receives property taxes to provide emergency medical services to the Village.

3. Enterprise Fund

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs. In addition, this fund receives monies from the Ohio Water Development Authority and the U.S. Department of Agriculture for the installation of sewer lines.

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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

2. Equity in Pooled Deposits 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:

	2008	2007
Demand deposits	\$63,112	\$60,263
Certificates of deposit	71,115	78,947
Total deposits and investments	\$134,227	\$139,210

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,780	\$47,582	\$2,802
Special Revenue	30,005	33,836	3,831
Enterprise	54,000	213,099	159,099
Total	\$128,785	\$294,517	\$165,732

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,105	\$48,599	\$15,506
Special Revenue	90,896	28,728	62,168
Enterprise	65,526	222,912	(157,386)
Total	\$220,527	\$300,239	(\$79,712)

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,902	\$49,347	\$5,445
Special Revenue	30,442	50,318	19,876
Enterprise	404,000	51,871	(352,129)
Total	\$478,344	\$151,536	(\$326,808)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,422	\$50,137	\$17,285
Special Revenue	97,548	43,905	53,643
Enterprise	67,060	41,456	25,604
Total	\$232,030	\$135,498	\$96,532

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Enterprise Funds for the year ended December 31, 2008.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
Promissory Note - Squad	\$14,804	5.40%
Promissory Note - Fire Truck	5,014	4.50%
OWDA Loan - #2657	105,557	2.20%
OWDA Loan - #4227	1,025,175	1.00%
OWDA Loan - #4959	618,675	1.00%
Total	\$1,769,225	

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (Continued)

In March 2007 the Village obtained an \$18,310 bank loan at 5.4% interest for the purchase of an emergency squad. The loan requires the Village to make five annual payments of \$4,276 including interest through March 2013.

In December 2004 the Village obtained a bank loan in the amount of \$23,000 at an interest rate of 4.5% to purchase a fire truck. The loan requires repayment in annual installments of \$5,239, including interest, over 5 years.

The Ohio Water Development Authority (OWDA) loans relate to sewer projects the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,813,874 in loans to the Village for these projects. The Village will repay loan #2657 in semiannual installments of \$3,650, including interest, over 20 years. The Village will repay loan #4227 in semiannual installments of \$20,833, including interest, over 30 years. Once the project is completed, loan #4959 will require repayment in semiannual installments of \$11,961 over 30 years beginning in January 2010; the scheduled payment amounts below assume that the project total of \$1,813,874 will be borrowed. The OWDA will adjust scheduled payments to reflect any revisions in amounts the Village actually borrows. Sewer receipts were pledged to repay the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	Promissory Note - Squad	Promissory Note - Fire Truck	OWDA Loan - #2657	OWDA Loan - #4227	OWDA Loan - #4959
2009	4,276	5,239	3,650	41,666	11,961
2010	4,276	0	7,300	41,666	23,921
2011	4,276	0	7,300	41,666	23,921
2012	4,057	0	7,300	41,666	23,921
2013	0	0	7,300	41,666	23,921
2014-2018	0	0	36,500	208,330	119,607
2019-2023	0	0	36,500	208,330	119,607
2024-2028	0	0	21,860	208,330	119,607
2029-2033	0	0	0	208,330	119,607
2034-2038	0	0	0	145,727	119,607
2039	0	0	0	0	11,901
Total	<u>\$16,885</u>	<u>\$5,239</u>	<u>\$127,710</u>	<u>\$1,187,377</u>	<u>\$717,581</u>

6. Retirement Systems

The Village has no full time employees. All elected and appointed officials pay 6.2% of their salary into the social security system. The Village also pays 6.2% of those salaries into the social security system.

VILLAGE OF ADELPHI
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions;
- Inland Marine
- Public Officials
- Crime



Mary Taylor, CPA

Auditor of State

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

Village of Adelphi
Ross County
11759 Market Street
P.O. Box 568
Adelphi, Ohio 43101

To the Village Council:

We have audited the financial statements of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 30, 2009, 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 30, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002 through 2008-004.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated November 30, 2009.

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.

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



Mary Taylor, CPA
Auditor of State

November 30, 2009

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING 2008-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2008 financial statements and the Village's accounting system:

1. Adjustments to the Enterprise Funds to increase Redemption of Principal by \$2,462, increase Interest and Fiscal Charges by \$981 and decrease Other Expenditures by \$3,443 to properly present amounts paid related to debt service expenditures on the Village's outstanding loans.
2. A reclassification entry to the enterprise funds to reduce Intergovernmental Receipts and increase Other Loan Proceeds by \$161,838 representing the amounts disbursed on the Village's behalf by the Ohio Water Development Authority related to the Village's sewer projects.
3. A reclassification of \$4,778 of expenditures in the Fire Fund and \$9,246 in the Fire & Squad Operating Fund from the general government function to security of persons and property.

The following audit adjustments were made to the December 31, 2007 financial statements and the Village's accounting system:

1. An audit adjustment to the special revenue funds to decrease beginning fund balance by \$1,048 to agree to the prior year ending fund balance.
2. Adjustments to the enterprise funds to increase Redemption of Principal and decrease Interest and Fiscal Charges by \$2,382 to properly present amounts paid related to debt service expenditures on the Village's outstanding loans.
3. A reclassification entry to the enterprise funds to reduce Intergovernmental Receipts and increase Other Loan Proceeds by \$11,047 representing the amounts disbursed on the Village's behalf by the Ohio Water Development Authority related to the Village's sewer projects.
4. A reclassification of \$2,469 of expenditures in the Fire Fund from the general government function to security of persons and property.

The following misstatement was inconsequential to the overall financial statements of the Village and is not reflected on the December 31, 2007 financial statements:

1. A reclassification entry in the Special Revenue Funds to reduce Miscellaneous Receipts and increase Intergovernmental Receipts by \$1,200; receipts related to a fire grant were misposted as Miscellaneous Receipts.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Village adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING 2008-001 (Continued)

Financial Reporting – Material Weakness (Continued)

Officials' Response:

The Fiscal Officer reviews each transaction posted to the UAN system, and the Village Council receives monthly reports of financial activity for their review. The Fiscal Officer will review the accuracy of posted transactions and the financial statements prior to each audit to ensure accuracy of the transactions and financial statements.

FINDING NUMBER 2008-002

**Certification of Funds Prior to Commitment
Material Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-002

**Certification of Funds Prior to Commitment
Material Noncompliance (Continued)**

3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-five percent of 2008 and 2007 disbursements we examined were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

We also recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

The Village uses blanket purchase orders for recurring expenditures. Payment requests which lack an approved purchase order are not paid by the Fiscal Officer.

FINDING NUMBER 2008-003

**Expenditures Exceed Appropriations
Material Noncompliance**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2008-003 (Continued)

**Expenditures Exceed Appropriations
Material Noncompliance (Continued)**

Budgetary expenditures exceeded appropriations for the year ended December 31, 2008 at the fund level as follows:

Fund #	Fund Name	Object	Appropriation Authority	Total Expenditures	Variance
2902	Fire/Squad Operating Fund	160-420-0000	\$1,000	\$ 1,905	(\$905)
5721	OWDA Fund	790-399-0000	0	20,600	(20,600)
5721	OWDA Fund	800-560-0000	0	138,984	(138,984)

Budgetary expenditures exceeded appropriations for the year ended December 31, 2007 at the fund level as follows:

Fund #	Fund Name	Object	Appropriation Authority	Total Expenditures	Variance
2902	Fire/Squad Operating Fund	160-420-0000	\$5,336	\$5,846	(\$510)
5721	OWDA Fund	790-399-0000	0	11,047	(11,047)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Village Council may approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

The Village Council and Fiscal Officer will work together to ensure expenditures do not exceed appropriations; this will be accomplished by amending appropriations when necessary and filing the amended appropriation resolution with the County Budget Commission.

FINDING NUMBER 2008-004

**Amended Estimated Receipts
Material Noncompliance**

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)

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

FINDING NUMBER 2008-004 (Continued)

**Amended Estimated Receipts
Material Noncompliance (Continued)**

The Village had a deficiency of actual receipts compared to estimated receipts in the following fund at December 31, 2007, which should have also resulted in a decrease to the appropriation level:

Fund #	Fund Name	Estimated Receipts	Actual Revenue	Variance
5201	Sewer Operating Fund	\$54,000	\$40,824	(\$13,176)
5721	OWDA Fund	350,000	11,047	(338,953)

Failure to appropriately amend estimated resources and appropriations as a result of known revenue deficiencies could have resulted in deficit spending in the above funds.

We recommend the Village implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and reduce appropriations, when necessary, when it becomes evident that estimated sources of revenue will be below projections for the year.

Officials' Response:

The Village Council and Fiscal Officer will ensure estimated revenue is reduced when appropriate by completing and filing an amended official certificate of estimated resources with the County Budget Commission.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Significant Deficiency - Time Cards – supervisors did not approve sewer clerk's timecards.	Yes	
2006-002	Material Weakness – Financial Statement Adjustments	No	Re-Issued as Finding 2008-001
2006-003	Ohio Revised Code 5705.39 – Appropriations Exceeded Estimated Resources	Yes	
2006-004	Ohio Revised Code 5705.41(B) – Budgetary Expenditures Exceeded Appropriations	No	Re-Issued as Finding 2008-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADELPHI

ROSS 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
JANUARY 19, 2010