



Dave Yost • Auditor of State



VILLAGE OF ADENA  
JEFFERSON COUNTY

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# Dave Yost • Auditor of State

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

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 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. 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.

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**Dave Yost**  
Auditor of State

September 4, 2012

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# Dave Yost • Auditor of State

## 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, (the Village) as of and for the years ended December 31, 2010 and 2009. 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. 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position 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 of December 31, 2010 and 2009 of the Village of Adena, Jefferson County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2012, 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.

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

**Dave Yost**  
Auditor of State

September 4, 2012



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, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$35,937	\$65,967	\$101,904
Intergovernmental	24,424	52,515	76,939
Special Assessments		7,579	7,579
Fines, Licenses and Permits	11,601	6,346	17,947
Earnings on Investments	943	93	1,036
Miscellaneous	5,375	348	5,723
	<u>78,280</u>	<u>132,848</u>	<u>211,128</u>
<b>Total Cash Receipts</b>			
	<u>78,280</u>	<u>132,848</u>	<u>211,128</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	13,051	23,235	36,286
Public Health Services		22,212	22,212
Leisure Time Activities	2,175	12,441	14,616
Community Environment	3,480		3,480
Basic Utility Service	10,160		10,160
Transportation		60,332	60,332
General Government	47,351	700	48,051
Capital Outlay	5,982		5,982
	<u>82,199</u>	<u>118,920</u>	<u>201,119</u>
<b>Total Cash Disbursements</b>			
	<u>82,199</u>	<u>118,920</u>	<u>201,119</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(3,919)</u>	<u>13,928</u>	<u>10,009</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-Out		(17)	(17)
		<u>(17)</u>	<u>(17)</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
		<u>(17)</u>	<u>(17)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,919)	13,911	9,992
Fund Cash Balances, January 1	<u>25,843</u>	<u>89,020</u>	<u>114,863</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$21,924</b></u>	<u><b>\$102,931</b></u>	<u><b>\$124,855</b></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 PROPRIETARY FUNDG  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$314,917
Miscellaneous	700
	315,617
Total Operating Cash Receipts	315,617
<b>Operating Cash Disbursements:</b>	
Personal Services	38,668
Contractual Services	121,788
Supplies and Materials	42,192
Other	825
	203,473
Total Operating Cash Disbursements	203,473
Operating Income/(Loss)	112,144
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	6,520
	6,520
Total Non-Operating Cash Receipts	6,520
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	8,681
Redemption of Principal	93,547
Interest and Other Fiscal Charges	28,937
	131,165
Total Non-Operating Cash Disbursements	131,165
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(12,501)
Transfers-In	91,476
Transfers-Out	(91,459)
	(12,484)
Net Receipts Over/(Under) Disbursements	(12,484)
Fund Cash Balances, January 1	61,371
	61,371
<b>Fund Cash Balances, December 31</b>	<b>\$48,887</b>

*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, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$34,528	\$79,301	\$113,829
Intergovernmental	22,788	43,430	66,218
Charges for Services	140		140
Fines, Licenses and Permits	866		866
Earnings on Investments	669	150	819
Miscellaneous	16,712		16,712
	<u>75,703</u>	<u>122,881</u>	<u>198,584</u>
<b>Total Cash Receipts</b>			
	<u>75,703</u>	<u>122,881</u>	<u>198,584</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	16,641	37,148	53,789
Public Health Services	755		755
Leisure Time Activities	8,838	7,152	15,990
Community Environment	125		125
Transportation		42,398	42,398
General Government	66,990		66,990
Capital Outlay		43,962	43,962
	<u>93,349</u>	<u>130,660</u>	<u>224,009</u>
<b>Total Cash Disbursements</b>			
	<u>93,349</u>	<u>130,660</u>	<u>224,009</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(17,646)</u>	<u>(7,779)</u>	<u>(25,425)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Proceeds from Sale of Public Debt:			
Other Debt Proceeds		15,376	15,376
Other Financing Uses		(376)	(376)
		<u>15,000</u>	<u>15,000</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
		<u>15,000</u>	<u>15,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(17,646)</u>	<u>7,221</u>	<u>(10,425)</u>
<b>Fund Cash Balances, January 1</b>	<u>43,489</u>	<u>81,799</u>	<u>125,288</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$25,843</b></u>	<u><b>\$89,020</b></u>	<u><b>\$114,863</b></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 PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund Types</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$321,998
Total Operating Cash Receipts	321,998
<b>Operating Cash Disbursements:</b>	
Personal Services	34,418
Employee Fringe Benefits	4,464
Contractual Services	138,790
Supplies and Materials	52,303
Other	610
Total Operating Cash Disbursements	230,585
Operating Income/(Loss)	91,413
<b>Non-Operating Cash Disbursements:</b>	
Redemption of Principal	67,520
Interest and Other Fiscal Charges	24,091
Total Non-Operating Cash Disbursements	91,611
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(198)
Transfers-In	71,286
Transfers-Out	(71,286)
Net Receipts Over/(Under) Disbursements	(198)
Fund Cash Balances, January 1	61,569
<b>Fund Cash Balances, December 31</b>	<b>\$61,371</b>

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Adena, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, street maintenance, park operations, water and sewer utilities and police protection. The Village contracts with the Adena Volunteer Fire Department to receive fire protection services.

The Village participates in the Ohio Municipal Joint Self-Insurance public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, a risk-sharing pool available to Ohio local governments. The Pool provides property, liability and casualty coverage for its members.

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 the 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.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**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 Fund:

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

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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.

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	2010	2009
Demand deposits	\$153,742	\$156,234
Certificates of deposit	20,000	20,000
Total deposits	\$173,742	\$176,234

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,134	\$78,280	\$7,146
Special Revenue	111,731	132,848	21,117
Enterprise	390,250	413,613	23,363
Total	\$573,115	\$624,741	\$51,626

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,140	\$82,199	(\$13,059)
Special Revenue	176,424	118,937	57,487
Enterprise	362,808	426,097	(63,289)
Total	\$608,372	\$627,233	(\$18,861)

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,495	\$75,703	\$58,208
Special Revenue	119,808	138,257	18,449
Enterprise	322,000	393,284	71,284
Total	\$459,303	\$607,244	\$147,941

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$73,480	\$93,349	(\$19,869)
Special Revenue	177,524	131,036	46,488
Enterprise	346,009	393,482	(47,473)
Total	\$597,013	\$617,867	(\$20,854)

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded the amount certified as available in the Waterline Reserve Fund and the OWDA Fund Y \$53,000 and \$20,000, respectively, during fiscal year 2009 and in the Waterline Loan Fund by \$48,000 in 2010. Also, contrary to Ohio Revised Code Section 5705.41(B), disbursements exceeded appropriations in the Water Revenue Fund by \$68,740 and the OWDA Loan Retirement Fund by \$9,021 during 2010; actual disbursements exceeded appropriations in the General Fund by \$18,668, the Water Revenue Fund by \$65,912, the Sewer Operating Fund by \$5,974, and the Waterline Loan Fund by \$41,137 during 2009.

**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. RETIREMENT SYSTEM**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.



**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. RETIREMENT SYSTEM (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$46,000	5%
General Obligation Notes	46,075	6% - 8.7%
Ohio Water Development Authority Loans	520,246	2% - 8%
Equipment Lease	1,109	7.50%
Total	\$612,321	

Three Ohio Water Development Authority (OWDA) loans relate to water and sewer construction projects. The OWDA approved \$889,210 in loans to the Village for this project. The Village will repay the loans in semiannual installments for each of the three loans. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The mortgage revenue bonds were issued to the Village by the United States Department of Agriculture (USDA) for water system improvement construction projects. The Village will repay the bonds in annual installments. Water receipts collateralize the bonds and the Village has agreed to set water rates sufficient to cover the USDA debt service requirements.

The Village issued general obligation notes to finance the purchase of a new dump truck, equipment and a waterline project. The notes will be repaid in monthly installments. The Village's taxing authority collateralized the bonds.

The Village also has entered into a lease agreement for a mower which will be paid in monthly installments. The Village's taxing authority collateralizes the lease.

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

	OWDA Loans	Mortgage Revenue Bonds	General Obligation Notes	Lease
Year ending December 31:				
2011	\$57,190	\$10,625	\$31,617	\$600
2012	57,289	10,625	17,069	600
2013	57,321	10,625		
2014	56,712	10,625		
2015	46,423	10,625		
2016-2020	190,829			
2021-2023	134,612			
Total	\$600,376	\$53,125	\$48,686	\$1,200

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)

7. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at December 31, 2010, retention levels are \$150,000 for property and casualty coverage.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Assets	\$1,950,167	\$ 2,109,514
Liabilities	<u>(1,656,732)</u>	<u>(1,920,839)</u>
Accumulated deficit	<u>\$293,435</u>	<u>\$188,675</u>



# Dave Yost • 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 Adena  
Jefferson County  
P O Box 507  
Adena, Ohio 43901-0507

To the Village Council:

We have audited the financial statements of the Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 4, 2012 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-04 described in the accompanying schedule of findings to be a material weakness.

### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 4, 2012.

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

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

September 4, 2012

VILLAGE OF ADENA  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009

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

FINDING NUMBER 2010-01

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides in part that no subdivision shall make any contract of give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the 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 no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

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

The Clerk/Treasurer did not certify or record the amount against the applicable appropriation accounts for 100% of the tested expenditures in 2009 and 2010. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

**FINDING NUMBER 2010-01  
(Continued)**

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

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also states that no appropriation measure shall become effective until the county auditor files with the taxing authority a certificate that the total appropriations from each fund does not exceed the total estimated revenue.

Appropriations exceeded the amount certified as available by the budget commission in the Waterline Reserve Fund and the OWDA Fund b \$53,000 and \$20,000, respectively, during fiscal year 2009:

Appropriations exceeded the amount certified as available by the budget commission in the Waterline Loan Fund by \$48,000 in 2010.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances. The Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Actual disbursements exceeded appropriations in the Water Revenue Fund by \$68,740 and the OWDA Loan Retirement Fund by \$9,021 during 2010.

Actual disbursements exceeded appropriations in the General Fund by \$18,668, the Water Revenue Fund by \$65,912, the Sewer Operating Fund by \$5,974, and the Waterline Loan Fund by \$41,137 during 2009.

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer should request Council to approve increased expenditure levels by increasing appropriations in the minutes and amending estimated resources, if necessary.

**FINDING NUMBER 2010-04**

**Material Weakness**

**Proper Classification of Receipts and Disbursements**

The Clerk/Treasurer did not correctly code and classify the following receipts and disbursements in 2009 and 2010 which resulted in reclassifications and adjustments to the financial statements. The Clerk/Treasurer has agreed to the adjustments and reclassifications and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the accounting records.

**2009**

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>Adjustments</b>			
Fire Levy Street Improvement EMS Levy Police Levy Park Levy	Intergovernmental revenue	\$1,951 \$2,605 \$4,689 \$1,823 \$1,477	Homestead and rollback taxes in the amount of \$12,545 had been posted to the General Fund as local taxes
General	General government expenditures	\$1,201	Expenditures were not posted
Street Improvement	Note proceeds Capital outlay expenditures	\$15,376	Proceeds of a note and the expenditure of the proceeds were not posted
<b>Reclassifications</b>			
General	Leisure time activities expenditures	\$8,838	Expenditures had been posted as general government expenditures

**2010**

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>Adjustment</b>			
Fire Levy Street Improvement EMS Levy Police Levy Park Levy	Intergovernmental revenue	\$1,973 \$2,691 \$4,665 \$1,884 \$1,526	Homestead and rollback taxes in the amount of \$12,739 had been posted to the General Fund as local taxes.
General	Intergovernmental revenue	\$553	Intergovernmental revenue had not been posted
Water Reserve	Redemption of Principal Interest & other charges	\$8,000 \$2,700	Expenditures had not been posted
Sewer	Debt proceeds Capital outlay expenditures	\$6,520	Proceeds of a note and the expenditures of the proceeds were not posted
General	General government expenditures	\$9,180	Expenditures had not been posted
<b>Reclassifications</b>			
Fire Levy	Local taxes Security of persons & property	\$4,114	The revenue and the expenditures had been posted twice
Water Revenue	Redemption of principal interest and other charges	\$8,000 \$2,700	The amount needed to pay principal and interest was recorded as a transfer-out

**FINDING NUMBER 2010-04  
(Continued)**

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to a uniform chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported. In addition, the Village should adopt procedures for the review of posting of transactions and subsequent posting to the financial statements.

**Officials' Response:**

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



**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2008-01	Ohio Revised Code Section 5705.41(B) Disbursements exceeded appropriations.	No	Repeated as Finding Number 2010-03
2008-02	Several receipts and disbursements were misclassified.	No	Reported as Finding Number 2010-04
2008-03	Ohio Revised Code Section 5705.39 Appropriations exceeded estimated resources.	No	Repeated as Finding Number 2010-02
2008-04	Ohio Revised Code Section 5705.41(D) Disbursements were not certified prior to expenditure.	No	Repeated as Finding Number 2010-01.

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# Dave Yost • 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  
JANUARY 17, 2013