

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2014

CRYSTAL HUFFER, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Ada
115 W. Buckeye Street
Ada, Ohio 45810

We have reviewed the *Independent Auditor's Report* of the Village of Ada, Hardin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2014 through December 31, 2014. 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.

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 Ada is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 19, 2015

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**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Ada's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Ada's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Ada does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Ada as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ada, Hardin County, Ohio, as of December 31, 2014, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Other Matter

As described further in Note 15 to the financial statements, during 2014, the Village changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting.

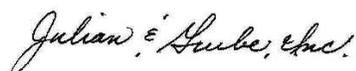
Other Matters

Our audit was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2015, on our consideration of the Village of Ada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ada's internal control over financial reporting and compliance.



**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and Other Local Taxes	\$ 63,919	\$ -	\$ -	\$ 63,919
Municipal Income Tax	1,088,021	736,329	-	1,824,350
Intergovernmental	74,244	151,660	2,109,599	2,335,503
Special Assessments	85,703	-	-	85,703
Charges for Services	39,248	35,216	-	74,464
Fines, Licenses and Permits	44,319	-	-	44,319
Earnings on Investments	12,195	1,702	-	13,897
Miscellaneous	36,439	10,719	25,302	72,460
Total cash receipts	<u>1,444,088</u>	<u>935,626</u>	<u>2,134,901</u>	<u>4,514,615</u>
Cash disbursements:				
Current:				
Security of Persons and Property	253,254	482,334	-	735,588
Public Health Services	18,844	-	-	18,844
Leisure Time Activities	15,611	157,719	-	173,330
Community Environment	9,965	-	-	9,965
Transportation	388,825	267,096	-	655,921
General Government	244,680	-	-	244,680
Capital Outlay	384,398	-	2,157,322	2,541,720
Debt Service:				
Principal Retirement	104,983	17,750	-	122,733
Interest and Fiscal Charges	55,883	7,778	-	63,661
Total cash disbursements	<u>1,476,443</u>	<u>932,677</u>	<u>2,157,322</u>	<u>4,566,442</u>
Excess of receipts over (under) disbursements	<u>(32,355)</u>	<u>2,949</u>	<u>(22,421)</u>	<u>(51,827)</u>
Net change in fund cash balances	(32,355)	2,949	(22,421)	(51,827)
Fund cash balances, January 1, 2014 (restated)	<u>1,104,988</u>	<u>1,426,182</u>	<u>62,519</u>	<u>2,593,689</u>
Fund cash balances:				
Restricted	119,861	1,353,898	19,158	1,492,917
Assigned	250,000	75,233	20,940	346,173
Unassigned (Deficit)	702,772	-	-	702,772
Fund cash balances, December 31, 2014	<u>\$ 1,072,633</u>	<u>\$ 1,429,131</u>	<u>\$ 40,098</u>	<u>\$ 2,541,862</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ADA
HARDIN COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for Services	\$ 2,429,765	\$ -	\$ 2,429,765
Fines, Licenses and Permits	-	8,175	8,175
Miscellaneous	251,178	885	252,063
Total operating cash receipts	<u>2,680,943</u>	<u>9,060</u>	<u>2,690,003</u>
Operating cash disbursements:			
Personal Services	392,127	-	392,127
Employee Fringe Benefits	120,315	-	120,315
Supplies and Materials	1,341,527	722	1,342,249
Total operating cash disbursements	<u>1,853,969</u>	<u>722</u>	<u>1,854,691</u>
Operating income (loss)	<u>826,974</u>	<u>8,338</u>	<u>835,312</u>
Nonoperating cash receipts/(disbursements):			
Proceeds of Notes	607,122	-	607,122
Intergovernmental	41,340	-	41,340
Capital Outlay	(41,340)	-	(41,340)
Miscellaneous Receipts	-	700	700
Debt service:			
Principal	(894,640)	-	(894,640)
Interest	(66,567)	-	(66,567)
Total nonoperating cash receipts/(disbursements)	<u>(354,085)</u>	<u>700</u>	<u>(353,385)</u>
Net change in fund cash balances	472,889	9,038	481,927
Fund cash balances, January 1, 2014	<u>2,693,955</u>	<u>15,601</u>	<u>2,709,556</u>
Fund cash balances, December 31, 2014	<u>\$ 3,166,844</u>	<u>\$ 24,639</u>	<u>\$ 3,191,483</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Ada, Hardin County, Ohio (the "Village"), is a body of 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 elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with Ada Liberty Township Fire Department for fire protection services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations which are the Ada Liberty Joint Ambulance District and Hardin County Regional Planning Commission, and one public entity risk pool which is the Public Entities Pool of Ohio. Note 13 and Note 10.C. to the financial statements provides additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. 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.

During the year, the Village invested in certificates of deposit, which were purchased through the CDARS program.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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:

Governmental Fund Type:

General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

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

Street Maintenance and Repair Fund- This fund is used to account for receipts from taxes and state grants restricted for the repair and maintenance of Village streets.

Safety Tax Levy Fund - This fund is used to account for receipts from a safety tax levy restricted for police officers' wages, benefits, uniforms and equipment.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Projects Fund - This fund is used to account for major capital improvements.

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 accounts for the provision of water to the residents and commercial users located within the Village and the payment of any related debts.

Sewer Fund - This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and the payment of any related debts.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village's Agency Fund is used to account for Fire Damage and Insurance deposits.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2014 budgetary activity appears in Note 4.

E. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

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.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and cash equivalents pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31, 2014 was as follows:

Demand deposits	\$ 1,927,634
Certificates of deposit	3,805,711
Total deposits and investments	<u>\$ 5,733,345</u>

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,286,453	\$1,444,088	(\$842,365)
Special Revenue	1,132,800	935,626	(197,174)
Capital Projects	3,324,134	2,134,901	(1,189,233)
Enterprise	12,563,772	3,329,405	(9,234,367)
Total	\$19,307,159	\$7,844,020	(\$11,463,139)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,454,990	\$1,630,050	\$824,940
Special Revenue	1,789,751	1,007,910	781,841
Capital Projects	3,429,784	2,178,262	1,251,522
Enterprise	13,314,419	2,941,241	10,373,178
Total	\$20,988,944	\$7,757,463	\$13,231,481

Contrary to Ohio Revised Code Section 5705.36, the Village did not properly certify unencumbered fund balances at January 1, 2014. Also, the Village did not request enough amended certificates throughout the year in the special revenue fund type: swimming pool fund and the capital projects fund type: capital projects fund upon notice of increased or decreased resources.

Contrary to Ohio Revised Code Section 5705.39, appropriations exceeded estimated resources in the special revenue fund type: swimming pool fund and the capital projects fund type: capital projects fund.

NOTE 5 - 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.

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

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - LOCAL INCOME TAX

The Village levies a municipal income tax of 1.65 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

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

NOTE 7 - DEBT

A summary of the Village's outstanding debt follows:

Issuance	Interest Rate	Fund Type	Balance 12/31/2013	Additions	Reductions	Balance 12/31/2014
Ohio Water Development Authority (1998)	2.20%	Enterprise	\$ 233,560	-	(64,917)	\$ 168,643
Ohio Water Development Authority (2000)	2.20%	Enterprise	792,857	-	(91,686)	701,171
Ohio Water Development Authority (2013)	1.00%	Enterprise	590,155	41,340	(631,495)	-
Ohio Water Development Authority (2014)	1.00%	Enterprise	-	565,782	-	565,782
Ohio Public Works Commission Loan (2011)	0.00%	Enterprise	78,928	-	(3,432)	75,496
General Obligation Note (2006)	5.31%	Enterprise	47,819	-	(15,100)	32,719
General Obligation Note (2006)	3.93%	General/Enterprise	70,650	-	(34,700)	35,950
General Obligation Note (2011)	0.00%	Enterprise	8,652	-	(8,652)	-
General Obligation Note (2013)	3.83%	General/Special Revenue/Enterprise	2,890,000	-	(100,000)	2,790,000
Streetscape Bonds (2004)	4.50%	General/Special Revenue/Enterprise	75,000	-	(60,000)	15,000
Total Principal Outstanding			<u>\$ 4,787,621</u>	<u>\$ 607,122</u>	<u>\$ (1,009,982)</u>	<u>\$ 4,384,761</u>

The Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The 1998, 2000, and 2014 loans will be repaid in semiannual installments over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the (OWDA) debt service requirements.

The 2011 Ohio Public Works Commission (OPWC) loan was issued for the East Lincoln Street Project with zero 0% interest. The principal will be retired in equal amounts over 25 years.

A General Obligation Note was issued in 2006 to purchase 2 lime slakers. The principal will be retired in varying annual amounts over 10 years.

A General Obligation Note was issued in 2006 to repaint the water tower. The principal will be retired in varying annual amounts over 9 years.

A General Obligation Note was issued in 2011 to purchase property. The principal will be retired in varying annual amounts over 4 years.

General Obligation Note was issued in 2013 to repay the Buckeye Streetscape Loan and to repay a majority of the Main Street Streetscape loan and to refinance the Concrete Streets Loan. The principal will be retired in varying annual amounts over 20 years.

The Streetscape Bonds were issued in 2004 for streetscape improvements. The principal will be retired in varying annual amounts over 20 years.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 7 - DEBT - (Continued)

The following is a summary of the Village's future annual debt service requirements:

Year Ending December 31.	Principal	Interest	Total
2015	\$ 365,398	\$ 105,454	\$ 470,852
2016	343,839	97,812	441,651
2017	290,808	91,684	382,492
2018	258,503	86,349	344,852
2019	265,717	81,346	347,063
2020 - 2024	1,088,534	319,394	1,407,928
2025 - 2029	717,158	185,119	902,277
2030 - 2034	482,158	46,800	528,958
2035 - 2036	6,864	-	6,864
Total	<u>\$ 3,818,979</u>	<u>\$ 1,013,958</u>	<u>\$ 4,832,937</u>

The 2014 OWDA loan for sewer system expansion project has not been completely disbursed and thus there is no amortization schedule available.

NOTE 8 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village records principal and interest payments in the general fund. The Village disbursed \$10,967 (\$7,391 in principal) to pay lease costs for the year ended December 31, 2014. Future lease payments are as follows:

Year	Amount
2015	\$10,967
2016	3,577
2017	3,577
Total	<u>\$18,121</u>

NOTE 9 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2014 through June 30, 2014, OP&F participants contributed 10.75% of their annual covered salary. From July 1, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. For 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of covered payroll. The Village has paid all contributions required through December 31, 2014.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$ 34,411,883	\$ 34,389,569
Liabilities	<u>(12,760,194)</u>	<u>(14,208,353)</u>
Net Position	<u>\$ 21,651,689</u>	<u>\$ 20,181,216</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$11.6 million and \$13.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$12.6 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Village's share of these unpaid claims collectible in future years is approximately \$53,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 10 - RISK MANAGEMENT - (Continued)

Contributions to PEP		
2012	2013	2014
<u>\$ 73,382</u>	<u>\$ 76,392</u>	<u>\$ 80,649</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 11 - CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

At December 31, 2014, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

NOTE 12- RELATED PARTY TRANSACTIONS

Council person Catherine Cole works at Cole Motor Sales in Ada, Ohio. The Village of Ada does incur expenditures for vehicle maintenance with her employer. The Village of Ada has also purchased vehicles from her employer. She has abstained from all transactions relating to her employer. In addition, Council person Jeffrey Oestreich works at WCOIL in Lima, Ohio. The Village of Ada does receive internet services through his employer for the safety department. Currently, all other departments only have email addresses associated with his employer. He has abstained from all transactions relating to his employer.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Ada Liberty Joint Ambulance District

The Board of Trustees consists of one member appointed by each subdivision plus one member appointed by the other two members. Those subdivisions are the Village of Ada and Liberty Township. The District provides emergency medical service within the District and by contract to areas outside the District. Financial information can be obtained from Nancy Bucher, Fiscal Officer, 530 North Gilbert Street Ada, Ohio 45810.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

B. Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a jointly-governed organization between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The City is represented by one member.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

NOTE 14 - SUBSEQUENT EVENT

The Village is under mandates from the EPA to update the sanitary sewer plant. Grants have been applied for and designs have been created to update the facility. However, if grant money is not available it may not be possible to proceed with the mandates until funding is obtained.

NOTE 15 - PRIOR PERIOD RESTATEMENT

The Village changed its accounting basis from GASB - cash basis to the cash (regulatory) basis of accounting. It had the following effect on fund balances at January 1, 2014:

	<u>General</u>	<u>Street Maintenance and Repair</u>	<u>Swimming Pool</u>	<u>Other Governmental</u>	<u>Special Revenue</u>
December 31, 2013	\$ 1,104,988	\$ 354,395	\$ 678,344	\$ 393,443	\$ -
Reclass	<u>-</u>	<u>(354,395)</u>	<u>(678,344)</u>	<u>(393,443)</u>	<u>1,426,182</u>
January 1, 2014	<u>\$ 1,104,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,426,182</u>

SUPPLEMENTARY DATA

VILLAGE OF ADA
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	89346	20.205	\$ 12,285
Highway Planning and Construction	91899	20.205	1,620,094
Total U.S. Department of Transportation			<u>1,632,379</u>
Total Federal Awards Expenditures			<u>\$ 1,632,379</u>

Notes to the Schedule of Federal Awards Expenditures:

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes the activity of the Village of Ada (the "Village") federal awards programs. The Schedule has been prepared on the cash basis of accounting.

Note B - Matching Requirements

Certain Federal programs require that the Village contribute non-Federal funds (match funds) to support the Federally-funded programs. The Village has complied with the matching requirements.

The expenditure of non-Federal matching funds is not included in the Schedule.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated May 12, 2015 wherein we noted the Village of Ada changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements - Cash Basis* to the cash (regulatory) basis of accounting, see Note 15 and followed reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Ada's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
Village of Ada

Compliance and Other Matters

As part of reasonably assuring whether the Village of Ada's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002.

Village's Response to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
May 12, 2015



Julian & Grube, Inc.
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**Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

Report on Compliance for the Major Federal Program

We have audited the Village of Ada's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Ada's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies the Village of Ada's major federal program.

Management's Responsibility

The Village of Ada's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village of Ada's compliance for the Village of Ada's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Ada's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village of Ada's major program. However, our audit does not provide a legal determination of the Village of Ada's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Ada complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2014.

Members of Council and Mayor
Village of Ada

Report on Internal Control Over Compliance

The Village of Ada's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village of Ada's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village of Ada's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
May 12, 2015

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Program:	Highway Planning and Construction, CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2014-001

Ohio Revised Code Section 5705.39 in part requires that total appropriations from each fund should not exceed total estimated resources.

At December 31, 2014, the Village had appropriations in excess of estimated resources in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Excess</u>
<u>Special Revenue Fund:</u>			
Swimming Pool	\$ 181,208	\$ 177,461	\$ 3,747
<u>Capital Projects Fund:</u>			
Capital Projects	3,429,784	3,386,653	43,131

With appropriations exceeding estimated resources, the Village is appropriating monies that are not in the Treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend the Village comply with the Ohio Revised Code by monitoring appropriations so they do not exceed estimated resources. This may be achieved by monitoring the budget more closely on a continual basis and amending estimated resources or appropriations as necessary.

Client Response: The Village will continue to attempt to modify appropriations in an efficient and accurate manner.

Finding Number	2014-002
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Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not properly certify unencumbered fund balances at January 1, 2014. Also during the year and at the year end, the Village did not request enough amended certificates throughout the year upon notice of increased or decreased resources.

The Village is not properly certifying its audited balances to the appropriate authorities as required by law. The Village is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Village consult the Ohio Compliance Supplement, the Village Officer's Manual and its auditors to ensure that Village fund balances agree to audited reports. We further recommend the Village certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the Village's appropriation process.

Client Response: The Village is attempting to monitor the budget more closely.

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i>
2013-VOA-001	<u>Material Weakness - Financial Statement Presentation</u> - Audit adjustments were made to correct misstatements identified in the audit of the Village's financial statements.	Yes	N/A

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Dave Yost • Auditor of State

VILLAGE OF ADA

HARDIN 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
JULY 2, 2015