
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

VILLAGE OF ADENA

JEFFERSON COUNTY, OHIO

AAAA
REGULAR AUDIT

For the Years Ended

December 31, 2018 and 2017

Karen S. Alger, CPA, CGFM –
Managing Partner
6927 Burgundy Ave. NW
North Canton, OH 44720
Phone (330)-354-2327
Fax (330) 768-7574

Gary L. Alger, CPA
Partner
6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
Fax (330) 768-7574



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Adena
143 West Main
Adena, Ohio 43901

We have reviewed the *Independent Auditor's Report* of the Village of Adena, Jefferson County, prepared by Alger & Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

FINDING FOR RECOVERY-REPAID UNDER AUDIT:

Ohio Rev. Code § 117.28 requires the Auditor of State to issue a finding for recovery when an audit report sets forth that any public money collected has been illegally expended, or that any public money collected has not been accounted for, or that any public money due has not been collected, or that any public property has been converted or misappropriated.

During the 2017 and 2018 audit, two receipts totaling \$1,980, \$1,480 receipted on August 17, 2017 and \$500 receipted on September 22, 2017 were recorded by the Village's water sewer department but these deposits were never recorded or posted by the bank.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Clerk Treasurer Roberta Gaffney, in the amount of \$1,980 and in favor of the Village of Adena's water sewer fund.

Roberta Gaffney paid \$1,980 to the Village of Adena on September 19, 2019 via check number 11807. Therefore, this finding for recovery is considered repaid under audit.

Village Council
Village of Adena
143 West Main
Adena, Ohio 43901
-Page 2-

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



Keith Faber
Auditor of State
Columbus, Ohio

November 27, 2019

Village of Adena
Jefferson County

TABLE OF CONTENTS

TITLE	Page
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2018	4
2018 Notes to the Financial Statements	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	13
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2017	14
2017 Notes to the Financial Statements	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Village's Response to Findings	31
Schedule of Prior Audit Findings	33

This Page Intentionally Left Blank.



ALGER & ASSOCIATES, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Village of Adena
Jefferson County
143 West Main
Adena, OH 43901

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Adena, Jefferson County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *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 as of December 31, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Adena, Jefferson County, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As described in Note 11 to the 2018 financial statements, the Village has been suffering deficit balances in the Enterprise fund since 2015, balances due to disbursements exceeding receipts, which raises substantial doubt about the Village's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. They do not include any adjustments that might result from the outcome of this uncertainty. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2019, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Karen S Alger, CPA

Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger & Associates,
Inc, ou, email=ksalger46@att.net, c=US
Date: 2019.09.25 14:25:40 -04'00'

Alger & Associates, Inc.

Certified Public Accountants

North Canton, Ohio

August 8, 2019

Village of Adena, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash Receipts:			
Property and Local Taxes	\$32,099	\$88,653	\$120,752
Intergovernmental	45,141	49,189	94,330
Fines, Licenses and Permits	53	7,769	7,822
Miscellaneous	131,338	2,719	134,057
	<u>208,631</u>	<u>148,330</u>	<u>356,961</u>
Total Cash Receipts	<u>208,631</u>	<u>148,330</u>	<u>356,961</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	20,214	69,015	89,229
Public Health Services	29	-	29
Leisure Time Activities	-	8,267	8,267
Transportation	-	51,621	51,621
General Government	71,146	-	71,146
	<u>91,389</u>	<u>128,903</u>	<u>220,292</u>
Total Cash Disbursements	<u>91,389</u>	<u>128,903</u>	<u>220,292</u>
Total Receipts Over/(Under) Disbursements	<u>117,242</u>	<u>19,427</u>	<u>136,669</u>
Fund Cash Balances, January 1	<u>(8,631)</u>	<u>109,879</u>	<u>101,248</u>
Fund Cash Balance, December 31			
Restricted	-	132,316	132,316
Unassigned (Deficit)	108,611	(3,010)	105,601
Fund Cash Balance, December 31	<u><u>\$108,611</u></u>	<u><u>\$129,306</u></u>	<u><u>\$237,917</u></u>

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

Village of Adena, Ohio
Jefferson County
Combining Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Type
For the Year Ended December 31, 2018

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Service	\$414,698
Miscellaneous	<u>2,051</u>
Total Operating Cash Receipts	<u>416,749</u>
Operating Cash Disbursements:	
Personal Services	40,118
Contractual Services	209,995
Supplies & Materials	<u>80,578</u>
Total Operating Cash Disbursements	<u>330,691</u>
Operating Income/Loss	<u>86,058</u>
Non-Operating Receipts/Disbursements:	
Proceeds of Loans	102,401
Redemption of Principal	(124,296)
Interest and Fiscal Charges	(1,550)
Other Financing Uses	<u>(100)</u>
Total Non-Operating Receipts / (Disbursements)	<u>(23,545)</u>
Operating Income/Loss	<u>62,513</u>
Fund Cash Balances, January 1	<u>(70,459)</u>
Fund Cash Balances, December 31	<u><u>(\$7,946)</u></u>

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Public Entity Risk Pools

The Village participates in the Ohio Municipal Joint Self-Insurance Pool a public entity risk pool. Notes 7 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

New Street Improvement Fund The street improvement fund accounts for and reports levied tax monies restricted for construction, maintenance, and repair of streets within the Village.

Emergency Medical Services Levy Fund The emergency medical services fund accounts for and reports levied tax monies restricted for emergency medical services contract by the Village.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies *(continued)*

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Project Fund The sewer project fund accounts for loan proceeds from the Ohio Water Development Authority and grants from Ohio Public Works Commission and Community Development Block Grant restricted to the finance a sewer facility improvement

Basis of Accounting

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

Budgetary Process

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

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.

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.

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 encumber all commitments required by Ohio law. .

A summary of 2018 budgetary activity appears in Note 4.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

Capital Assets

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

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:

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

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

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

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

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

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Compliance

Contrary to ORC 5705.10 (H), the Village had negative cash fund balances in the following funds at December 31, 2018:

Special Revenue Fund	
Park Levy Fund	\$3,010
Enterprise Fund	
Sewer Operating Fund	\$66,081

Contrary to ORC 5705.41(B), prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations.

Contrary to ORC 5705.41(D), the Village, had purchases made prior to commitments of funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$192,000	\$208,631	\$16,631
Special Revenue	119,745	148,330	28,585
Enterprise	463,000	519,150	56,150
Total	\$774,745	\$876,111	\$101,366

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,461	\$91,389	(\$7,928)
Special Revenue	208,727	128,903	79,824
Enterprise	379,694	456,637	(76,943)
Total	\$671,882	\$676,929	(\$5,047)

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Deposits and Investments

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

	<u>2018</u>
Demand deposits	\$229,971

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 - Risk Management

Risk Pool Membership

The Government 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 March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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 accumulated surplus at March 31, 2017.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management *(continued)*

Assets	\$1,091,882
Liabilities	<u>(757,765)</u>
Accumulated Surplus	\$ <u>334,117</u>

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #3755	\$236,113	2.00%
Ohio Water Development Authority Loan #8153	\$52,619	3.00%
Ohio Water Development Authority Loan #6442	\$837,020	1.50%
Ohio Water Development Authority Loan #8152	\$49,782	3.00%
People Note	\$34,392	5.75%
Total	<u>\$1,209,926</u>	

The Ohio Water Development Authority (OWDA) loan #3755, issued in 2002, relates to water and sewer planning and construction projects. OWDA approved \$915,606 in loans to the Village for this project. In 2018, OWDA adjusted the cost of the loan up by \$5,407 in addition accessed capitalization interest and late fees of \$13,465 and \$1,124 respectively. The Village will repay the loan in semiannual installments. The water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village was unable to pay loan payments on Loan #3755 in the amount of \$52,619. OWDA restructured and refinanced the payments into an additional loan, loan #8153. The remaining balance on loan #3755 is \$236,113.

OWDA Loan #6442, issued in 2013, relates to a loan for sewer improvements mandated by the EPA. OWDA approved a loan of \$999,042 to the Village for this project. In 2018, OWDA adjusted the cost of the loan up by \$26,504 in addition accessed capitalization interest and late fees of \$13,433 and \$2,675 respectively. The Village will repay the loan in semiannual installments. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Amortization for loan is not complete by OWDA, therefore amortization schedule is not reflected below.

The Village was unable to pay loan payments on Loan #6442 in the amount of \$49,782. In 2018, OWDA restructured and refinanced the payments into an additional loan, loan #8152. The remaining balance on loan #6442 is \$837,020.

The People National Bank promissory note was issued as a general-purpose business note. The Village's taxing authority collateralized the note.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt *(continue)*

Amortization

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

Year Ending December 31:	OWDA Loan #3755	OWDA Loan #8153	OWDA Loan #8152	People Bank
2019	\$41,957	\$6,130	\$2,900	\$16,329
2020	41,957	6,130	5,799	16,329
2021	41,957	6,130	5,799	4,082
2022	41,957	6,130	5,799	
2023	41,957	6,130	5,799	
2024-2029	41,957	30,648	31,895	
Total	<u>\$251,741</u>	<u>\$61,296</u>	<u>\$57,992</u>	<u>\$36,740</u>

Note 11: Going Concern

As of December 31, 2018, the Village had negative fund balances in the Enterprise Fund of (\$7,946), consisting the Sewer Operating negative fund balance of (\$66,081) and the remaining Enterprise Funds balances Water Operating of \$48,832 and Utility Deposits \$5,424 and Sewer Project \$3,879.

These conditions raise substantial doubt about the Village’s ability to continue as a going concern. The Village was unable to make the OWDA loan payment and had to refinance two OWDA loans. Management has signed an oil and gas lease that will eliminate all deficit balances and allow the Village to make the outstanding 2017 OWDA loan payments. Management has also increased water and sewer rates, re-negotiated their contract for water purchases, and will re-assess rates prior to the end of 2019.

Village of Adena, Ohio
Jefferson County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Cash Receipts:			
Property and Local Taxes	\$30,053	\$83,603	\$113,656
Intergovernmental	34,420	51,768	86,188
Fines, Licenses and Permits	37	7,043	7,080
Miscellaneous	25,327	1,781	27,108
Total Cash Receipts	<u>89,837</u>	<u>144,195</u>	<u>234,032</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	14,354	76,829	91,183
Public Health Services	906	-	906
Leisure Time Activities	-	12,474	12,474
Transportation	-	47,500	47,500
General Government	87,750	-	87,750
Total Cash Disbursements	<u>103,010</u>	<u>136,803</u>	<u>239,813</u>
Total Receipts Over/(Under) Disbursements	<u>(13,173)</u>	<u>7,392</u>	<u>(5,781)</u>
Fund Cash Balances, January 1	<u>4,542</u>	<u>102,487</u>	<u>107,029</u>
Fund Cash Balance, December 31			
Restricted	-	114,449	114,449
Unassigned (Deficit)	(8,631)	(4,570)	(13,201)
<i>Fund Cash Balance, December 31</i>	<u>(\$8,631)</u>	<u>\$109,879</u>	<u>\$101,248</u>

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

Village of Adena, Ohio
Jefferson County
Combining Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Type
For the Year Ended December 31, 2017

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Service	\$404,261
Miscellaneous	897
	<u>405,158</u>
Total Operating Cash Receipts	<u>405,158</u>
Operating Cash Disbursements:	
Personal Services	40,319
Contractual Services	259,152
Supplies & Materials	49,217
	<u>348,688</u>
Total Operating Cash Disbursements	<u>348,688</u>
Operating Income/Loss	<u>56,470</u>
Non-Operating Receipts/Disbursements:	
Redemption of Principal	(29,023)
Interest and Fiscal Charges	(3,127)
	<u>(32,150)</u>
Total Non-Operating Receipts / (Disbursements)	<u>(32,150)</u>
Operating Income/Loss	<u>24,320</u>
Fund Cash Balances, January 1	<u>(94,779)</u>
Fund Cash Balances, December 31	<u><u>(\$70,459)</u></u>

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

Public Entity Risk Pools

The Village participates in the Ohio Municipal Joint Self-Insurance Pool a public entity risk pool. Notes 7 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

New Street Improvement Fund The street improvement fund accounts for and reports levied tax monies restricted for construction, maintenance, and repair of streets within the Village.

Emergency Medical Services Levy Fund The emergency medical services fund accounts for and reports levied tax monies restricted for emergency medical services contract by the Village.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies *(continued)*

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Sewer Project Fund The sewer project fund accounts for loan proceeds from the Ohio Water Development Authority and grants from Ohio Public Works Commission and Community Development Block Grant restricted to the finance a sewer facility improvement

Basis of Accounting

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

Budgetary Process

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

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.

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.

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 encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies *(continued)*

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.

Capital Assets

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

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:

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

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

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

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

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

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 - Compliance

Contrary to ORC 5705.10 (H), the Village had negative cash fund balances in the following funds at December 31, 2017:

Special Revenue Fund	
Park Levy Fund	\$ 4,570
Enterprise Fund	
Water Operating Fund	\$11,565
Sewer Operating Fund	\$67,867

Contrary to ORC 5705.38 (A), the Village, did not pass permanent appropriations for 2017.

Contrary to ORC 5705.41(B), all expenditures exceed appropriation authority due to not passing the 2017 permanent appropriations.

Contrary to ORC 5705.41(D), the Village, had purchases made prior to commitments of funds.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$78,450	\$89,837	\$11,387
Special Revenue	233,154	144,195	(88,959)
Enterprise	459,100	405,158	(53,942)
Total	\$770,704	\$639,190	(\$131,514)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$103,010	(\$103,010)
Special Revenue	0	136,803	(136,803)
Enterprise	0	380,838	(380,838)
Total	\$0	\$620,651	(\$620,651)

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$30,789

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 - Risk Management

Risk Pool Membership

The Government 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 March 31, 2017, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

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

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 - Risk Management *(continued)*

Risk Pool Membership *(continued)*

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and accumulated surplus at March 31, 2017.

Assets	\$1,091,882
Liabilities	<u>(757,765)</u>
Accumulated Surplus	\$ <u>334,117</u>

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 9 - Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2017.

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #3755	\$268,736	2.00%
Ohio Water Development Authority Loan #6442	\$844,190	1.50%
Wesbanco Note	\$6,859 *	5.04%
People Note	49,428	5.75%
Total	\$1,169,213	

The Ohio Water Development Authority (OWDA) loan #3755, issued in 2002, relates to water and sewer planning and construction projects. OWDA approved \$915,606 in loans to the Village for this project. The Village will repay the loan in semiannual installments. The water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. OWDA adjusted the loan’s outstanding principal by adding an accrued late fee of \$1,272.

OWDA Loan #6442, issued in 2013, relates to a loan for sewer improvements mandated by the EPA. OWDA approved a loan of \$999,042 to the Village for this project. The Village will repay the loan in semiannual installments. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. OWDA adjusted the loan outstanding principal by decreasing the capitalized interest by \$2,987 and adding the accrued late fees of \$3,341. Amortization for loan is not complete by OWDA, therefore amortization schedule is not reflected below.

* The Wesbanco promissory note was issued as a general-purpose business note. The Village’s taxing authority collateralized the note. The beginning balance on Wesbanco Bank note has been reduced by \$1,625 to include an extra payment in the prior audit that was misclassified in an improper expenditure account.

The People National Bank promissory note was issued as a general-purpose business note. The Village’s taxing authority collateralized the note.

Amortization

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

Year Ending December 31:	OWDA Loan #3755	People Bank	Wesbanco Bank
2018	\$41,957	\$16,329	\$7,116
2019	41,957	16,329	
2020	41,957	16,329	
2021	41,957	4,082	
2022	41,957		
2023	41,957		
2024-2029	41,957		
	\$293,699	\$53,069	\$7,116

Village of Adena, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 – Subsequent Events Debt

The Village was unable to pay loan payments on Loan #3755 and Loan #6442. The Village is working with OWDA to restructured the loan.



ALGER & ASSOCIATES, Inc.
Certified Public Accountants

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

Village of Adena
Jefferson County
143 West Main
Adena, OH 43901

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 8, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-006 to be material weaknesses.

6927 Burgundy Ave NW
North Canton, OH 44720
Phone – 330-353-5851
Fax – 330-768-7574

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001 through 2018-005.

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Karen S Alger, CPA

Digitally signed by Karen S Alger, CPA
DN: cn=Karen S Alger, CPA, o=Alger & Associates,
Inc, ou, email=ksalger46@att.net, c=US
Date: 2019.09.25 14:26:07 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

August 8, 2019

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

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

FINDING NUMBER 2018-001

Non-Compliance/Material Weakness

Deficit Fund Balances

Ohio Rev. Code § 5705.10 (H) states that all money paid into a fund must be used for the purpose for which such fund has been established. The Village failed to adequately monitor fund balances.

As of December 31, 2017, the Park Levy, the Sewer Operating and Water Operating funds had deficit cash balances of \$4,570, \$11,565 and \$67,873 respectively. As of December 31, 2018, the Sewer Operating Fund and the Park Levy Fund had deficit cash balances of \$66,081 and \$3,010, respectively.

The deficit balances indicate that money from one fund was used to pay the obligations of another fund. Village Council and the Fiscal Officer should review the finances and formulate a plan for the elimination of deficit balances.

FINDING NUMBER 2018-002

Non-Compliance/Material Weakness

Annual Appropriation Measure

Ohio Rev. Code § 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Documentation could not be provided to reflect Council approved the annual appropriation measure by April 1 for 2017 and filed with the County Auditor.

Ohio Rev. Code § 5705.41 (B) prohibits a subdivision or taxing unit from making any expenditures of money unless it has been appropriated.

Due to Village Council not passing an appropriation measure during 2017 as indicated above, nor properly filing with the budget commission, expenditures in all funds exceeded appropriations. During calendar year 2018 expenditures exceeded total appropriations in the General Fund by \$7,928, EMS Levy fund by \$4,811, Police Levy Fund by \$5,197, Sewer Operating Fund by \$44,736 and Water Operating Fund by \$37,207.

We recommend the Council and the Fiscal Officer not make any expenditures until appropriations are adopted. Once appropriations are adopted, Council and the Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

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

FINDING NUMBER 2018-003

Non-Compliance/Material Weakness

Expenditure Certification

Ohio Rev. Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or 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 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.
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.

We noted that 100% of expenditures tested in 2017 and 2018 were not properly certified.

The Village should certify the availability of funds for expenditure and also implement the use of Then and Now Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

FINDING NUMBER 2018-004

Non-Compliance/Material Weakness

Public Records

Ohio Rev. Code Sections 149.43(B)(1) and (B)(2) state, in part, “all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours...In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection.”

Ohio Rev. Code Section 149.351 states that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code.

Additionally, Ohio Admin. Code Section 117-2-02(C)(3) states that vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices.

During the course of the audit, we noted several invoices did not have supporting documentation, such as vendor invoices.

The Village has since provided some of the invoices and other supporting documentation for the expenditures in question. These expenditures were determined to be for a proper public purpose.

The Village should implement procedures to help ensure supporting documentation is attached to each expenditure. This will help reduce the risk unauthorized or improper expenditures are being made.

FINDING NUMBER 2018-005

Non-Compliance/Material Weakness– Accounting Records and Cash Reconciliation

Ohio Revised Code Section 733.43 states in part - that the Fiscal Officer must keep an accurate account of:

(A) All money received by her, showing the amount thereof, the time received, from whom, and on what account received;

(B) All disbursements made by her, showing the amount thereof, the time made, to whom, and on what account paid.

She shall so arrange her books that the amount received and paid on account of separate funds, or specified appropriations, shall be exhibited in separate accounts. In addition to the ordinary duties of such Fiscal Officer, she shall have such powers and perform such duties as are required by any ordinance of the Village.

Ohio Revised Code Section 733.45 states in part that the Fiscal Officer shall settle and account with the Village Council, quarterly, and at any other time which the Village Council directs by resolution or ordinance. At the first January meeting of Village Council each year, the Fiscal Officer shall report on the Village financial condition, including amount of receipts, disbursements and accounts. The balance of each fund shall be reported. The Fiscal Officer shall also keep a treasury of investment account documenting the investment of treasury fund.

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

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

FINDING NUMBER 2018-005 *(continued)*

In order to ensure the completeness and accuracy of the Village's accounting records, an adequate system of internal controls requires that monthly reconciliations be performed between the fund ledgers and bank depository. To be effective, these reconciliations should include a thorough investigation and follow-up of all significant reconciling items.

The process allows you to determine if all items have been recorded and match the postings by the bank at the same amounts. If there is a discrepancy, this can be corrected fairly quickly. The accuracy of the transactions within the system allows the Council to have an accurate and up to date information to make the best decisions for the government.

If information being recorded is incorrect, then Council cannot make good financial decisions in order to run their Village appropriately. If sound decisions cannot be made, then public dollars could be misspent. Misspending funds, even unintentionally, could result in deficit fund balances or audit adjustments, both of which could lead the entity being declared in fiscal caution and possibly fiscal watch or fiscal emergency.

The Fiscal Officer's financial reports that were submitted to the Council for review were manually generated and not accurate. The Fiscal Officer had made several adjustments with no supporting documentation as to why the adjustments were made to the books thru out the audit period in order to reconcile. Some adjustments were upwards of over \$20,000.

Because we were unable to determine the reasons for the adjustments, we obtained a modification to our agreement with the Village to increase the audit costs in order to perform additional audit steps to ensure the Village is properly reconciled as of December 31, 2017 and December 31, 2018.

The following deficiencies and reconciling items were noted in the Village's monthly cash reconciliations:

- 1.) We noted two receipts which were not properly deposited for a total of \$1,980.49.
- 2.) Several adjustments were made which had no support or documentation indicating the reason for the adjustments.
- 3.) Reconciliations were not always performed on a timely basis. Some reconciliations were not performed for upwards of three or four months after the bank statement date.
- 4.) We noted the Fiscal Officer booked revenues which were less than what was deposited.
- 5.) We noted revenues received but not posted to the system.

All adjustments have been properly made to the financial statements and the Village accounting system. We recommend the Fiscal Officer perform timely reconciliations on a monthly basis. Any deficiencies or reconciling items should immediately be investigated and rectified. Any outstanding checks over a year old should be moved to unclaimed funds in the Agency Fund for a period of five years. After 5 years the money is placed in the general fund and can be spent by the Village. We also recommend the Fiscal Officer post the Village transactions in a timely manner.

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

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

FINDING NUMBER 2018-005 *(continued)*

Council should ensure bank reconciliations are reconciled to the Government Solutions system on a monthly basis. Council should also closely monitor the reconciliation process by reviewing and follow-up on any deficiencies or reconciling items.

FINDING NUMBER 2018-006

Material Weakness

Posting of Receipts and Expenditures

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify, record and report all transactions. The Village Fiscal Officer did not correctly post all receipts and disbursements in 2017 and 2018. This was attributed to the Fiscal Officer not abiding by the adopted chart of accounts

The corrected amounts are reflected in the accompanying financial statements.

Fund	Account	Amount	Description
<i>Adjustments: 2017</i>			
General	Miscellaneous	\$830	Recorded a prior period adjustment twice by reduction of Miscellaneous revenue
EMS Levy	Property and Local Taxes	\$13,256	Recorded a prior period adjustment twice by reduction of Property and Local Taxes revenue
Fire Levy	Property and Local Taxes	\$5,914	Recorded a prior period adjustment twice by reduction of Miscellaneous revenue
OWDA Loan	Transfer In	\$20,000	Recorded a prior period adjustment twice by reduction of Miscellaneous revenue
<i>Adjustments: 2018</i>			
General	Intergovernmental Revenue	\$3,815	Second half Homestead and Rollback not posted to books
General	Miscellaneous	\$18,626	Unnecessary adjustment made by fiscal officer
Water Operating	Charges for Services	\$1,336	Charges for Services not posted to books
Sewer Operating	Miscellaneous	\$21,119	Recorded a fund balance correction for a Certificate of Deposit closed out in prior year by increasing revenue
Water Operating	Proceeds of Loans	\$77,510	OWDA loan proceeds from restructure and refinance of existing OWDA loans.
Sewer Operating	Proceeds of Loans	\$24,891	OWDA loan proceeds from restructure and refinance of existing OWDA loans

Village of Adena, Ohio
Jefferson County
Schedule of Findings
December 31, 2018 and 2017

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

FINDING NUMBER 2018-006 *(continued)*

<i>Adjustments: a2018 (continued)</i>			
Water Operating	Redemption of Principal	\$77,510	Record Principal Retirement from the restructure and refinance of existing OWDA loans
Sewer Operating	Redemption of Principal	\$24,891	Record Principal Retirement from the restructure and refinance of existing OWDA loans
<i>Reclassifications: 2017:</i>			
Sewer Operating	Interest and Fiscal Charges Expenditures	\$3,127	Recorded as Principal Retirement Expenditures
<i>Reclassifications: 2018:</i>			
General	Intergovernmental Revenue	\$6,000	Recorded Piggy back tax to Miscellaneous revenue instead of Intergovernmental Revenue
Sewer Operating	Interest and Fiscal Charges Expenditures	\$1,550	Recorded as Principal Retirement Expenditures

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 Village Fiscal Officer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions correctly and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent financial statements.

Client Response: We did receive a response from Officials to finding number 2018-005, see page 31.

**VILLAGE OF ADENA
PO BOX 507
ADENA OH 43901**

Joey Jones
Chief Auditor
Auditor State of Ohio

Mr. Jones

My name is Roberta Gaffney Clerk-Treasurer of the Village of Adena. During the 2017-2018 Audit two (2) deposits totaling in the amount of \$1980.47 were recorded by the Village Water Sewer Department but these checks were never recorded or posted to the bank. As of this date neither deposit has been recorded. I feel as though these checks may have been misplaced by the bank, however due to my responsibility as Clerk-Treasurer I have had to replace the two (2) missing deposits which I have done. My council is well aware of this problem and I reassured them that this would be my responsibility. I do hope in the future that these deposits should be found by the bank and I would be reimbursed my money in the total of \$1980.47. I have enclosed proof of Payment.

Sincerely yours



Roberta Gaffney
Village of Adena Clerk Treasurer

This Page Intentionally Left Blank.

Village of Adena, Ohio
Jefferson County
Schedule of Prior Audit Findings
December 31, 2018 and 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2016-001	Ohio Rev. Code § 5705.10(I) Deficit Balances	No	Reissued as Finding Number 2018-001
2016-002	Ohio Rev. Code § 5705.41(A) & (B) Annual Appropriations by April 1 and Expenditures Exceeded Appropriations	Partial	Reissued as Finding Number 2018-002
2016-003	Ohio Rev. Code § 5705.36 Certificate of Estimated Resources	No	Finding No Longer Valid
2016-004	Ohio Rev. Code § 5705.41(D) Use of Purchase Orders	No	Reissued as Finding Number 2018-003
2016-005	GASB 54 not applied to fund balances	Partial	Reissued as Management Letter
2016-006	Material Weakness: Posting of Receipts and Expenditures	No	Reissued as Finding Number 2018-006
2016-007	Material Weakness: Preparation of Financial Statements	Yes	Village had not made payments to OWDA during 2017 and 2018. The Village refinanced the debt.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 10, 2019