



**Auditor of State
Betty Montgomery**

VILLAGE OF ADELPHI
ROSS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2002.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Types - For the Year Ended December 31, 2001.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2001.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Adelphi
Ross County
PO Box 465
11791 Main Street
Adelphi, Ohio 43101

To the Village Council:

We have audited the accompanying financial statements of the Village of Adelphi, Ross County, Ohio (the Village) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Adelphi, Ross County, Ohio, as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 9 to the financial statements, the Village reclassified its Sewer Construction Loan Fund from a Capital Project fund to an Enterprise fund, effective January 1, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 25, 2003

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,149	\$6,904	\$13,053
Intergovernmental Receipts	43,947	12,774	56,721
Charges for Services	875	14,329	15,204
Fines, Licenses, and Permits	2,307	0	2,307
Earnings on Investments	4,780	284	5,064
Miscellaneous	3,190	3,001	6,191
	<u>61,248</u>	<u>37,292</u>	<u>98,540</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,635	22,409	27,044
Leisure Time Activities	0	55	55
Transportation	0	10,552	10,552
General Government	45,827	0	45,827
Debt Service:			
Principal Payments	472	1,941	2,413
Interest Payments	1,520	736	2,256
	<u>52,454</u>	<u>35,693</u>	<u>88,147</u>
Total Receipts Over Disbursements	<u>8,794</u>	<u>1,599</u>	<u>10,393</u>
Other Financing Receipts and (Disbursements):			
Sale of Fixed Assets	1,203	0	1,203
Advances-In	1,000	1,000	2,000
Advances-Out	(1,000)	(1,000)	(2,000)
	<u>1,203</u>	<u>0</u>	<u>1,203</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	9,997	1,599	11,596
Fund Cash Balances, January 1	<u>54,964</u>	<u>32,304</u>	<u>87,268</u>
Fund Cash Balances, December 31	<u>\$64,961</u>	<u>\$33,903</u>	<u>\$98,864</u>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$0
Total Operating Cash Receipts	0
Operating Cash Disbursements:	
Contractual Services	41,004
Total Operating Cash Disbursements	41,004
Operating Income (loss)	(41,004)
Non-Operating Cash Receipts;	
Miscellaneous	300,000
Total Non-Operating Cash Receipts	300,000
Net Receipts over Disbursements	258,996
Fund Cash Balance, January 1	155,015
Fund Cash Balance, December 31	\$414,011

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$6,110	\$7,164	\$13,274
Intergovernmental Receipts	39,391	12,511	51,902
Charges for Services	1,750	11,447	13,197
Fines, Licenses, and Permits	2,435	0	2,435
Earnings on Investments	5,759	309	6,068
Miscellaneous	1,137	12,121	13,258
	<u>56,582</u>	<u>43,552</u>	<u>100,134</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	1,821	27,284	29,105
Leisure Time Activities	0	100	100
Transportation	0	4,910	4,910
General Government	41,249	0	41,249
Capital Outlays	0	33,181	33,181
Debt Service:			
Principal Payments	349	5,867	6,216
Interest Payments	893	736	1,629
	<u>44,312</u>	<u>72,078</u>	<u>116,390</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>12,270</u>	<u>(28,526)</u>	<u>(16,256)</u>
Other Financing Receipts			
Proceeds from Notes	0	33,181	33,181
Loan Proceeds	0	4,500	4,500
	<u>0</u>	<u>37,681</u>	<u>37,681</u>
Total Other Financing Receipts			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	12,270	9,155	21,425
Fund Cash Balances, January 1	<u>42,694</u>	<u>23,149</u>	<u>65,843</u>
Fund Cash Balances, December 31	<u>\$54,964</u>	<u>\$32,304</u>	<u>\$87,268</u>
Reserves for Encumbrances, December 31	<u>\$1,200</u>	<u>\$0</u>	<u>\$1,200</u>

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$0
Total Operating Cash Receipts	0
Operating Cash Disbursements	
Cash Disbursements	0
Total Operating Cash Disbursements	0
Operating Income	0
Fund Cash Balance, January 1	155,015
Fund Cash Balance, December 31	\$155,015
Reserve for Encumbrances, December 31	\$0

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Adelphi, Ross County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services. The Ross County Sheriff's department provides security of persons and property as needed. The Village appropriates general fund and fire levy fund money to support a volunteer fire department.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

Street Construction Maintained Repair Fund- This fund receives gas tax monies for the maintenance, repair of Village roads.

Fire Squad Operations – This fund receives proceeds from various community events to supplement fire and EMS operations.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Enterprise Funds

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

Sewer Construction Loan Fund - This fund receives monies from the USDA for the installation of water and sewer lines.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$482,875	\$212,283
Certificates of deposit	30,000	30,000
Total deposits	\$512,875	\$242,283

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 was as follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,232	\$62,451	\$9,219
Special Revenue	30,562	37,292	6,730
Enterprise	874,015	300,000	(574,015)
Total	\$957,809	\$399,743	(\$558,066)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,430	\$52,454	\$27,976
Special Revenue	63,958	35,693	28,265
Enterprise	1,029,030	41,004	988,026
Total	\$1,173,418	\$129,151	\$1,044,267

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,683	\$56,582	\$7,899
Special Revenue	48,680	81,233	32,553
Enterprise	574,015	0	(574,015)
Total	\$671,378	\$137,815	(\$533,563)

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,032	\$45,512	\$28,520
Special Revenue	95,765	72,048	23,717
Enterprise	724,030	0	724,030
Total	\$893,827	\$117,560	\$776,267

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Loan 2657	\$124,732	2.20%
Ohio Water Development Loan-2601	432,000	3.84%
Kingston National Bank- EMS	29,416	7.25%
Total	\$586,148	

The Ohio Water Development Authority (OWDA), Wastewater Collection System Loans-2601 and 2657 relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. OWDA Loan-2601 is a balloon loan requiring a one-time payoff when funding is received from Water and Waste Disposal Systems for Rural Communities. Capitalized interest will continue to accrue at a 3.84% annually rate. OWDA Loan 2657 is a twenty year loan with semi-annual payments beginning July 1, 2004 in the amount of \$3,871, including interest. Construction on the sewer expansion was delayed due to a dispute with the construction contractor. The Village made no payments on these issuances during the period. The anticipated payments will be paid from the water and sewer collections and other financing options available to the Village. USDA requires the Village set water and sewer rates sufficient to pay debt payments on the above issuances.

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Three hundred thousand dollars was received from the contractor in fiscal 2002 as a settlement for the dispute. These monies are recorded in the proprietary fund as miscellaneous receipts.

The Kingston National Bank Note, issued May 8, 2001, in the amount of \$33,181, relates to the purchase of an emergency squad. The Village pays \$392 monthly, including interest, until May 15, 2011. The debt is paid proportionately from the General Fund and the Fire and Squad Operating Fund, as established by Council resolution. The debt is secured by the squad.

The Village received a loan on November 2, 2001, in the amount of \$4,500. The monies were used to purchase candy for resale. The proceeds benefited the Fire and Squad Operating Fund, and the debt was repaid from the monies earned from the candy sale. As of December 31, 2002, the debt and associate interest has been paid in full.

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

Year ending December 31:	<u>Squad</u>	<u>OWDA #2657</u>
2003	\$4,704	\$0
2004	4,704	3,871
2005	4,704	7,742
2006	4,704	7,742
2007	4,704	7,742
2008-2012	18,816	38,713
2013-2017	0	38,713
2018-2022	0	38,713
2023-2024	0	11,614
Total	<u>\$42,336</u>	<u>\$154,850</u>

7. RETIREMENT SYSTEM

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

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Errors and omissions; and
- Public Officials Liability

**VILLAGE OF ADELPHI
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

9. ACCOUNTING CHANGE

The Sewer Construction Loan fund activity was reported as a Capital Projects Fund at December 31, 2000. The Village budgets this activity as an Enterprise Fund type. There was no affect on the Sewer Construction Loan fund's 2001 Operating Income. However, the change had the following affect on fund type's beginning cash balance at January 1, 2001.

<u>Fund Type/Account Group</u>	<u>Balance at 12/31/00</u>	<u>Fund Adjustment</u>	<u>Balance at 01/01/01</u>
Capital Projects Fund- Sewer Construction Loan	\$155,015	(\$155,015)	\$0
Enterprise Fund- Sewer Construction Loan	0	155,015	155,015



**Auditor of State
Betty Montgomery**

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

Village of Adelphi
Ross County
PO Box 465
11791 Main Street
Adelphi, Ohio 43101

To the Village Council:

We have audited the accompanying financial statements of the Village of Adelphi, Ross County, Ohio, (the Village) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated November 25, 2003, wherein we noted the Village reclassified its Sewer Construction Loan fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated November 25, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 25, 2003.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended solely for the information and use of management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 25, 2003

VILLAGE OF ADELPHI
ROSS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

Finding Number	2002-001
----------------	----------

Fiscal Officer Certification

Ohio Rev. Code Section 5705.41 (D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council. Effective April 7, 2003, this amount increased to \$3,000.

Twenty-eight percent of the transactions tested were not certified prior to the purchase commitment. The Village did not use a "then and now" certificate.

We recommend the Village not make any purchase commitments until a lawful certificate is issued.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

VILLAGE OF ADELPHI

ROSS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2004**