



**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 1998 - 1997**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 1998 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Fund- For the Year Ended December 31, 1998 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 1997 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Fund For the Year Ended December 31, 1997 .....	6
Notes to the Financial Statements .....	7
Report on Compliance and on Internal Controls Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings .....	17

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Adena, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 1998 and December 31, 1997. 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 generally accepted auditing standards 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 a basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1998 and December 31, 1997, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 1999 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

This report is intended solely for the information and use of the audit committee, management and 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.

**JIM PETRO**  
Auditor of State

November 22, 1999



**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Debt Service	Total
<b>Cash receipts:</b>				
Property tax and other local taxes	\$48,406	\$38,344	\$0	\$86,750
Intergovernmental receipts	6,507	25,861	0	32,368
Fines, licenses, and permits	4,914	0	0	4,914
Miscellaneous	22,792	124	0	22,916
<b>Total cash receipts</b>	<b>82,619</b>	<b>64,329</b>	<b>0</b>	<b>146,948</b>
<b>Cash disbursements:</b>				
Current:				
Security of persons and property	32,134	13,275	0	45,409
Public health services	484	0	0	484
Leisure time activities	3,311	0	0	3,311
Community environment	210	0	0	210
Transportation	0	46,983	0	46,983
General government	34,060	336	0	34,396
Debt service:				
Principal payments	0	0	31,731	31,731
Interest payments	0	0	29,150	29,150
Capital outlay	0	4,860	0	4,860
<b>Total disbursements</b>	<b>70,199</b>	<b>65,454</b>	<b>60,881</b>	<b>196,534</b>
<b>Total receipts over/(under) disbursements</b>	<b>12,420</b>	<b>(1,125)</b>	<b>(60,881)</b>	<b>(49,586)</b>
Other financing receipts/(disbursements):				
Transfers-in	0	0	60,881	60,881
Transfers-out	(5,897)	0	0	(5,897)
<b>Total other financing receipts/(disbursements)</b>	<b>(5,897)</b>	<b>0</b>	<b>60,881</b>	<b>54,984</b>
<b>Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements</b>	<b>6,523</b>	<b>(1,125)</b>	<b>0</b>	<b>5,398</b>
Fund cash balances January 1	4,399	21,182	20,000	45,581
Fund cash balances, December 31	<u>\$10,922</u>	<u>\$20,057</u>	<u>\$20,000</u>	<u>\$50,979</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR  
FIDUCIARY FUND FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
<b>Operating cash receipts:</b>			
Charges for services	\$300,617	\$0	\$300,617
Miscellaneous	15,435	0	15,435
Total operating cash receipts	<u>316,052</u>	<u>0</u>	<u>316,052</u>
<b>Operating cash disbursements:</b>			
Personal services	47,616	0	47,616
Contractual services	185,478	0	185,478
Supplies and materials	26,296	0	26,296
Capital outlay	8,043	0	8,043
Total operating cash disbursements	<u>267,433</u>	<u>0</u>	<u>267,433</u>
Operating income/(loss)	<u>48,619</u>	<u>0</u>	<u>48,619</u>
<b>Non-operating cash receipts:</b>			
Other non-operating receipts	0	5,536	5,536
Total non-operating cash receipts	<u>0</u>	<u>5,536</u>	<u>5,536</u>
<b>Non-operating cash disbursements:</b>			
Other non-operating cash disbursements	0	6,214	6,214
Total non-operating cash disbursements	<u>0</u>	<u>6,214</u>	<u>6,214</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	48,619	(678)	47,941
Transfers-out	<u>(54,984)</u>	<u>0</u>	<u>(54,984)</u>
Net receipts over/(under) disbursements	(6,365)	(678)	(7,043)
Fund cash balances, January 1	<u>20,866</u>	<u>678</u>	<u>21,544</u>
Fund cash balances, December 31	<u><u>\$14,501</u></u>	<u><u>\$0</u></u>	<u><u>\$14,501</u></u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Governmental Fund Types			(Memorandum Only)
	General	Special Revenue	Debt Service	Total
<b>Cash receipts:</b>				
Property tax and other local taxes	\$51,871	\$39,119	\$0	\$90,990
Intergovernmental receipts	6,654	26,159	0	32,813
Fines, licenses, and permits	4,488	0	0	4,488
Miscellaneous	14,045	11,535	0	25,580
<b>Total cash receipts</b>	<b>77,058</b>	<b>76,813</b>	<b>0</b>	<b>153,871</b>
<b>Cash disbursements:</b>				
Current:				
Security of persons and property	33,318	14,424	0	47,742
Public health services	432	0	0	432
Leisure time activities	5,725	0	0	5,725
Community environment	429	23,157	0	23,586
Transportation	0	25,161	0	25,161
General government	45,743	350	0	46,093
Debt service:				
Principal payments	0	0	39,404	39,404
Interest payments	0	0	31,136	31,136
Capital outlay	0	21,607	0	21,607
<b>Total disbursements</b>	<b>85,647</b>	<b>84,699</b>	<b>70,540</b>	<b>240,886</b>
<b>Total receipts over/(under) disbursements</b>	<b>(8,589)</b>	<b>(7,886)</b>	<b>(70,540)</b>	<b>(87,015)</b>
Other financing receipts/(disbursements):				
Transfers-in	0	0	69,292	69,292
Transfers-out	(5,897)	0	0	(5,897)
<b>Total other financing receipts/(disbursements)</b>	<b>(5,897)</b>	<b>0</b>	<b>69,292</b>	<b>63,395</b>
<b>Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements</b>	<b>(14,486)</b>	<b>(7,886)</b>	<b>(1,248)</b>	<b>(23,620)</b>
Fund cash balances January 1	18,885	29,068	21,248	69,201
Fund cash balances, December 31	<u>\$4,399</u>	<u>\$21,182</u>	<u>\$20,000</u>	<u>\$45,581</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR  
FIDUCIARY FUND FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
<b>Operating cash receipts:</b>			
Charges for services	\$252,314	\$0	\$252,314
Miscellaneous	24,030	0	24,030
Total operating cash receipts	<u>276,344</u>	<u>0</u>	<u>276,344</u>
<b>Operating cash disbursements:</b>			
Personal services	40,576	0	40,576
Contractual services	148,299	0	148,299
Supplies and materials	20,879	0	20,879
Capital outlay	13,093	0	13,093
Total operating cash disbursements	<u>222,847</u>	<u>0</u>	<u>222,847</u>
Operating income/(loss)	<u>53,497</u>	<u>0</u>	<u>53,497</u>
<b>Non-operating cash receipts:</b>			
Other non-operating receipts	0	5,656	5,656
Total non-operating cash receipts	<u>0</u>	<u>5,656</u>	<u>5,656</u>
<b>Non-operating cash disbursements:</b>			
Other non-operating cash disbursements	0	5,705	5,705
Total non-operating cash disbursements	<u>0</u>	<u>5,705</u>	<u>5,705</u>
Excess of receipts over/(under) disbursements before interfund transfers and advances	53,497	(49)	53,448
Transfers-in	13,050	0	13,050
Transfers-out	(76,445)	0	(76,445)
Net receipts over/(under) disbursements	(9,898)	(49)	(9,947)
Fund cash balances, January 1	<u>30,764</u>	<u>727</u>	<u>31,491</u>
Fund cash balances, December 31	<u><u>\$20,866</u></u>	<u><u>\$678</u></u>	<u><u>\$21,544</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Village of Adena, Jefferson 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, including water and sewer utilities, park operations (leisure time activities), police services, and street maintenance services.

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 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.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**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 by law or contract to be restricted.

**2. Special Revenue Funds**

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:

Permissive Tax Fund - This fund receives local tax monies for general operating expenses of the Village.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
**(Continued)**

New Street Improvement Fund - This fund receives local tax monies for the improvement Village streets.

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

**3. Debt Service Funds**

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Funds:

Water Bond Retirement Fund - This fund receives transfers from the Water Revenue Fund to retire bonds which were issued for water system improvements.

Sewer Bond Retirement Fund - This fund receives transfers from the Sewer Revenue Fund to retire bonds which were issued for sewer system improvements.

Ohio Water Development Authority Fund - This fund receives transfers from the Water Revenue Fund and the Sewer Revenue Fund to retire debt which was issued for water system and sewer system improvements.

**4. Enterprise Funds**

These funds account 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 Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**5. Fiduciary Funds (Trust and Agency Funds)**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayors Court Fund - The fund is used to account for all for all Mayors Court activity.

**E. BUDGETARY PROCESS**

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
**(Continued)**

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments as required by law.

A summary of 1998 and 1997 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.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**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:

	<b>1998</b>	<b>1997</b>
Demand deposits	\$ 45,480	\$ 47,125
Certificate of Deposits	<u>20,000</u>	<u>20,000</u>
Total Deposits	<u>\$ 65,480</u>	<u>\$ 67,125</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
(Continued)

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

**1998 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 80,236	\$ 82,619	\$2,383
Special Revenue	54,723	64,329	9,516
Debt Service	72,550	60,881	(11,669)
Enterprise	<u>322,314</u>	<u>316,052</u>	<u>(6,262)</u>
Total	<u>\$529,823</u>	<u>\$523,791</u>	<u>(\$6,032)</u>

**1998 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 83,801	\$ 76,096	\$ 7,705
Special Revenue	77,468	65,454	12,014
Debt Service	72,124	60,881	11,243
Enterprise	<u>320,858</u>	<u>322,417</u>	<u>(1,559)</u>
Total	<u>\$554,251</u>	<u>\$524,848</u>	<u>\$29,403</u>

**1997 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 79,604	\$ 77,058	(\$ 2,546)
Special Revenue	79,309	76,813	(2,496)
Debt Service	100,902	69,292	(31,610)
Enterprise	<u>310,816</u>	<u>289,394</u>	<u>(21,422)</u>
Total	<u>\$570,631</u>	<u>\$512,557</u>	<u>(\$58,074)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
(Continued)

**1997 Budgeted VS. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 77,791	\$ 91,544	(\$13,753)
Special Revenue	88,559	84,699	3,860
Debt Service	73,268	70,540	2,728
Enterprise	<u>230,143</u>	<u>299,292</u>	<u>(69,149)</u>
Total	<u>\$469,761</u>	<u>\$546,075</u>	<u>(\$76,314)</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, 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, was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Revenue Anticipation Notes	\$ 4,939	6.50%
Mortgage Revenue Bonds	290,950	4.00 - 5.00%
OWDA Loan	<u>177,724</u>	7.96 - 8.40%
Total	<u>\$ 473,613</u>	

There was one outstanding note at December 31, with a local bank for the construction of a garage. Property and revenue of the Village have been pledged to repay this issue.

Outstanding mortgage revenue bonds consist of mortgage revenue bonds and sewer system revenue bonds issued. Property and revenue of the Village have been pledged to repay these issues.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
**(Continued)**

There were two outstanding notes at December 31 with the Ohio Water Development Authority for construction which were long term, issued for up to twenty-five years. Property and revenue of the Village have been pledged to repay these issues.

Amortization of the above debt, including interest of \$ 249,637 is scheduled as follows:

<b>Year Ending December 31:</b>	<b>General Obligation Bonds</b>	<b>Revenue Anticipation Notes</b>	<b>OWDA Loan</b>
1999	\$ 34,067	\$ 5,123	\$20,048
2000	33,157	0	20,048
2001	32,247	0	20,048
2002	34,337	0	20,048
2003	34,297	0	20,048
2004-2008	146,448	0	100,242
2009-2013	53,450	0	100,242
2014-2018	<u>21,500</u>	<u>0</u>	<u>27,900</u>
Total	<u>\$ 389,503</u>	<u>\$ 5,123</u>	<u>\$ 328,624</u>

**6. RETIREMENT SYSTEMS**

The employees of the Village were covered by the Public Employees Retirement System (PERS) of Ohio. PERS is a cost sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1998.

**7. RISK MANAGEMENT**

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

**8. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Village's operations as early as fiscal year 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998 - 1997**  
**(Continued)**

The financial reporting and payroll systems were purchased from the Jefferson County Data Processing Department. Jefferson County Data Processing reports that an update to the software will be implemented in October 1999 for year 2000 compliance.

Jefferson and Harrison Counties collect property taxes for distribution. The Counties are responsible for remediating the tax collection and distribution systems.

The State of Ohio distributes money to the Village in the form of Homestead and Rollback taxes and gas taxes. The State is responsible for remediation of the system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Village is or will be Year 2000 ready, that the Village's remediation efforts will be successful in whole or in part, or that parties with whom the Village does business will be year 2000 ready.

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

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

To the Village Council:

We have audited the financial statements of the Village of Adena, Jefferson County, Ohio, as of and for the years ended December 31, 1998 and December 31, 1997 and have issued our report thereon dated November 22, 1999. We conducted our audit in accordance with generally accepted auditing standards 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, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances of noncompliance are described in the accompanying schedule of findings as items number 1998-31234-001, 1998-31234-002, 1998-31234-003, 1998-31234-004, and 1998-31234-005. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Village of Adena in a separate letter dated November 22, 1999.

**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. However, we noted certain matters involving the internal control over financial reporting that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1998-31234-006, 1998-31234-007, 1998-31234-008, and 1998-31234-009.

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. However, we believe that none of the reportable conditions described above is a material weakness.

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

**JIM PETRO**  
Auditor of State

November 22, 1999

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 - 1997**

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

**FINDING # 1998-31234-001**

The Village Clerk/Treasurer was reimbursed for expenditures without supporting invoices or receipts. In addition, another check, for which there was no supporting documentation, was issued to the Clerk and was never recorded on the appropriations ledger of the Village. The total of these expenditures was two hundred sixty eight dollars and eighty nine cents (\$268.89).

Expenditures consist of the following:

<b>Check #</b>	<b>Explanation</b>	<b>Amount</b>
16128	No invoice to support purchase	\$ 58.74
16200	Check not recorded on books and no invoice to support the expenditure	112.97
16253	Clerk was reimbursed twice for same purchase	41.90
17025	No invoice to support purchase	13.50
17100	No invoice to support purchase	36.24
17111	No invoice to support purchase	<u>5.54</u>
Total		<u>\$268.89</u>

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Roberta Gaffney, Village Clerk/Treasurer, and the Cincinnati Insurance Company in the total amount of two hundred sixty eight dollars and eighty nine cents (\$268.89), jointly and severally, and in favor of the general fund of the Village in the amount of two hundred sixty eight dollars and eighty nine cents (\$268.89).

**FINDING # 1998-31234-002**

As a result of the testing performed on the payroll disbursements to officials and employees of the Village, we determined that over compensation of one Village official occurred during the year ended December 31, 1997. The overcompensation occurred as a result of a check which was voided per the appropriations ledger of the Village, but actually cleared the bank. In addition, another check was recorded on the ledgers of the Village at one amount but cleared the bank for a greater amount. The Village Council, by a motion passed and recorded in the minutes, set the compensation of the Clerk/Treasurer at \$6,600 per year.

**For the Period 01/01/97 - 12/31/97**

<b><u>Public Official</u></b>	<b><u>Amount Due</u></b>	<b><u>Amount Paid</u></b>	<b><u>(Over)/Under Compensation</u></b>
Roberta Gaffney	\$ 6,600.00	\$ 7,163.99	\$ (563.99)

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery is hereby issued against Roberta Gaffney, Village Clerk/Treasurer, and the Cincinnati Insurance Company in the total amount of five hundred sixty three dollars and ninety nine cents (\$563.99), jointly and severally, and in favor of the general fund of the Village in the amount of five hundred sixty three dollars and ninety nine cents (\$563.99).

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 - 1997  
(Continued)**

**FINDING # 1998-31234-003**

Ohio Revised 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. Further, contracts and other orders for expenditure lacking prior certification should be null and void.

This section also provides two "exceptions" to the above requirements:

- A.** Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such a contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B.** If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

None of expenditures tested were properly encumbered.

The Village should utilize the purchase orders to document the Clerk/Treasurer's certification of the availability of appropriated funds for proposed purchases. This certification should be completed prior to incurring obligations.

**FINDING # 1998-31234-004**

Ohio Revised Code Section 149.351 establishes the guidelines against the destruction or damage of records. 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 rule adopted by the records commission provided for under section 149.38 to 149.42 of the Ohio Revised Code.

Numerous supporting documents such as canceled checks and the guarantee deposit book were not presented for audit. These documents are crucial to substantiate the validity of the village receipts and expenditures. The transactions in question were verified by the bank, with whom the Village does business.

The Village should maintain all necessary documents and should take measures necessary to assure these documents are properly safeguarded.

**FINDING # 1998-31234-005**

Ohio Revised Code Section 733.28 requires the village clerk/treasurer to keep the books of the village, exhibit accurate statements of all monies received and expended, of all the properly owned by the village, and the income derived therefore, and of all taxes and assessments.

The Clerk/Treasurer failed to keep accurate records. Not all activity was posed to the revenue and appropriations ledgers of the Village. As a result, the Village did not have an accurate account of all financial activity.

The Village Clerk/Treasurer should maintain accurate records of all Village financial activity.

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1998 - 1997  
(Continued)**

**FINDING # 1998-31234-006**

The Clerk/Treasurer has been solely responsible for signing checks. Due to the small size of the entity, the Clerk/Treasurer also performed reconciliations of the Village bank account. This resulted in an inadequate segregation of duties as the Clerk/Treasurer performed all accounting functions. Members of Council approve and sign all voucher packets, however, they are not involved in the check processing. When Council is not actively involved in the processing of checks, errors or irregularities may go undetected.

In order to improve controls over expenditure of Village funds, the Council should implement a policy to require dual signatures on all checks.

**FINDING # 1998-31234-007**

Village employees as well the Village Clerk/Treasurer are paid weekly. However, bills are approved by Council once a month. As a result, the Village Council has relinquished their control over payroll checks as compensation occurs prior to approval. This may result in employees being improperly compensated.

A member of the Village finance committee should review and approve all payroll expenditures prior to payroll checks being distributed. This will aid Council in regaining control over payroll expenditures.

**FINDING # 1998-31234-008**

During both years under audit, the Village Clerk/Treasurer was paying herself in advance. When employees are paid in advance, the chances of them being overcompensated are increased due to the fact that they may leave service prior to providing service for which they have already been paid. In addition, errors can be made and go undetected.

The Village Council should not permit advance payment of payroll moneys without a formally adopted policy.

**FINDING # 1998-31234-009**

Of the reconciliations tested, there were amounts listed as "other reconciling items" which could not be substantiated or supported by detailed documentation on 60% of the monthly reconciliations. As a result, monthly reconciliations could not be relied upon as accurate reflections of the Village's financial position.

The Village Clerk/Treasurer should reconcile the Village balances monthly using information which can be supported by documentation maintained by the Village.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF ADENA**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2000**