

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

***FINANCIAL STATEMENTS*  
(AUDITED)**

FOR THE YEAR ENDED  
DECEMBER 31, 2012

**CRYSTAL HUFFER, FISCAL OFFICER**





# Dave Yost • Auditor of State

Members of Council  
Village of Ada  
115 West Buckeye Avenue  
Ada, Ohio 45810

We have reviewed the *Independent Auditor's Report* of the Village of Ada, Hardin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 8, 2013

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**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Village of Ada  
115 W. Buckeye Street  
P.O. Box 292  
Ada, Ohio 45810

To the Members of Council and Mayor:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Ada basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of December 31, 2012, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As described in Note 13, Net Position of the Swimming Pool, Swimming Pool Reserve, Water, Sewer, Water Reserve, Sewer Debt Retirement and Other Enterprise Funds were restated as of December 31, 2011 in order to combine related cash basis funds for the financial statements.

***Other Matters***

***Supplemental and Other Information***

We audited to opine on the Village of Ada's financial statements that collectively comprise its basic financial statements. Management's Discussion & Analysis includes tables of net cash position, changes in net cash position, and governmental activities. The Budgetary Schedules show a comparison of original budget, final budget, and actual amounts for the General, Street Maintenance and Repair, Permissive Motor Vehicle Tax, Swimming Pool, and Safety Tax Funds. The Schedule of Expenditures of Federal Awards presents additional analysis required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and schedules provide additional analysis and are not a required part of the basic financial statements.

These tables and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables and schedules, we applied no procedures to any other information in Management's Discussion & Analysis, the Budgetary Schedules, and the Schedule of Expenditures of Federal Awards, and we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2013, on our consideration of the Village of Ada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ada's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
August 27, 2013

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

This management's discussion and analysis of the Village of Ada financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2012, within the limitations of the cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Financial Highlights**

Key financial highlights for 2012 are as follows:

- In total, net position increased \$534,849 or up 16.6 percent. This increase was primary the result of the increase in net position for each of the business type activity funds. Governmental activities had an overall increase in net position. The net position of the Street Maintenance and Repair Fund decreased its carryover balance by \$126,022 as a result of increased spending on transportation costs.
- The Village's governmental receipts are primarily property and income taxes and grants. These receipts represent 54.9 percent of the total governmental activities cash received during the year. Income tax receipts for 2012 were up 34.8 percent, predominantly due to the new Safety Income Tax Levy.
- The water operation, one of the Village's business-type activities, increased its carryover by 14.6 percent for the year. Receipts exceeded expenditures by \$126,684.
- The sewer operation, one of the Village's business-type activities, increased its carryover by 7.1 percent for the year. Receipts exceeded expenditures by \$57,210.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting. The statement of net position and the statement of activities provide information about the cash activities of the whole Village.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns. The notes to the financial statements are an integral part of the Village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Reporting the Government as a Whole**

The statement of net position and the statement of activities reflect how the Village did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, we divide the Government into two types of activities:

***Governmental Activities*** - Most of the Government's basic services are reported here, including police, streets and pool. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

***Business-Type Activity*** - The Government has four business-type activities, the provision of water, sewer, storm-sewer, and refuse. Business-type activities are financed by a fee charged to the customers receiving the service.

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into three categories: governmental, proprietary and fiduciary.

***Governmental Funds*** - Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Street Maintenance & Repair Fund, Permissive Motor Vehicle Tax Fund, the Swimming Pool Fund, the Safety Tax Fund and the Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**VILLAGE OF ADA  
HARDIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Proprietary Funds** - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village's major enterprise funds are the Water Fund and the Sewer Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village does not have any internal service funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Village's programs.

Table 1 provides a summary of the Village's net position for 2012 and 2011 on a cash basis:

(Table 1)  
**Net Cash Position**

	Governmental Activities <u>2012</u>	Business-type Activities <u>2012</u>	Governmental Activities <u>2011</u>	Business-type Activities <u>2011</u>	2012 Total	2011 Total
<u>Assets</u>						
Cash and cash equivalents	\$ 1,681,426	\$ 2,077,765	\$ 1,383,559	\$ 1,840,783	\$ 3,759,191	\$ 3,224,342
Total assets	<u>1,681,426</u>	<u>2,077,765</u>	<u>1,383,559</u>	<u>1,840,783</u>	<u>3,759,191</u>	<u>3,224,342</u>
<u>Net cash position</u>						
Restricted	1,213,451	-	1,226,019	-	1,213,451	1,226,019
Unrestricted	<u>467,975</u>	<u>2,077,765</u>	<u>157,540</u>	<u>1,840,783</u>	<u>2,545,740</u>	<u>1,998,323</u>
Total net cash position	<u>\$ 1,681,426</u>	<u>\$ 2,077,765</u>	<u>\$ 1,383,559</u>	<u>\$ 1,840,783</u>	<u>\$ 3,759,191</u>	<u>\$ 3,224,342</u>

As mentioned previously, net position increased \$534,849 or 16.6 percent during 2012.

**VILLAGE OF ADA  
HARDIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

Table 2 reflects the changes in net position in 2012 and 2011:

(Table 2)  
**Change in Net Cash Position**

	Governmental Activities 2012	Business-type Activities 2012	Governmental Activities 2011	Business-type Activities 2011	2012 Total	2011 Total
<b>Cash receipts:</b>						
Program receipts:						
Charges for services and sales	\$ 204,468	\$ 2,176,344	\$ 226,052	\$ 2,035,080	\$ 2,380,812	\$ 2,261,132
Operating grants and contributions	141,607	-	131,475	-	141,607	131,475
Capital grants and contributions	982,087	-	538,328	-	982,087	538,328
Total program receipts	<u>1,328,162</u>	<u>2,176,344</u>	<u>895,855</u>	<u>2,035,080</u>	<u>3,504,506</u>	<u>2,930,935</u>
General receipts:						
Property and other local taxes	1,641,876	-	1,217,520	-	1,641,876	1,217,520
Grants and entitlements not restricted to specific programs	114,998	-	119,206	-	114,998	119,206
Note and loan proceeds	-	-	85,791	44,468	-	130,259
Interest	18,630	-	17,196	-	18,630	17,196
Miscellaneous	94,197	47,410	46,186	39,159	141,607	85,345
Total general receipts	<u>1,869,701</u>	<u>47,410</u>	<u>1,485,899</u>	<u>83,627</u>	<u>1,917,111</u>	<u>1,569,526</u>
Total receipts	<u>3,197,863</u>	<u>2,223,754</u>	<u>2,381,754</u>	<u>2,118,707</u>	<u>5,421,617</u>	<u>4,500,461</u>
<b>Cash disbursements:</b>						
General government	215,084	-	285,949	-	215,084	285,949
Security of persons and property	712,567	-	676,036	-	712,567	676,036
Public health services	22,614	-	22,652	-	22,614	22,652
Leisure time activities	122,419	-	104,278	-	122,419	104,278
Community environment	19,842	-	10,526	-	19,842	10,526
Basic utilities	-	1,294,091	-	1,129,833	1,294,091	1,129,833
Transportation	398,618	-	489,326	-	398,618	489,326
Capital outlay	1,246,947	266,110	651,946	79,988	1,513,057	731,934
Principal retirement	95,489	373,880	79,068	399,590	469,369	478,658
Interest and fiscal charges	66,416	52,691	74,313	62,173	119,107	136,486
Total cash disbursements	<u>2,899,996</u>	<u>1,986,772</u>	<u>2,394,094</u>	<u>1,671,584</u>	<u>4,886,768</u>	<u>4,065,678</u>
Change in net cash position	297,867	236,982	(12,340)	447,123	534,849	434,783
Net cash position at beginning of year	<u>1,383,559</u>	<u>1,840,783</u>	<u>1,395,899</u>	<u>1,393,660</u>	<u>3,224,342</u>	<u>2,789,559</u>
Net cash position at end of year	<u>\$ 1,681,426</u>	<u>\$ 2,077,765</u>	<u>\$ 1,383,559</u>	<u>\$ 1,840,783</u>	<u>\$ 3,759,191</u>	<u>\$ 3,224,342</u>

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Program receipts represent 64.6 percent of total receipts and are primarily comprised of utility charges for services, restricted grants, intergovernmental receipts such as motor vehicle license and gas tax money, and building permits and inspection fees.

General receipts represent 58.5 percent of the Village's total Governmental receipts, and of this amount, 87.8 percent are local taxes.

Disbursements for General Government represent the overhead costs of running the Village. These include the costs of council, and the fiscal officer.

Security of Persons and Property are the costs of police protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the pool; the community environment department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, general government, transportation and security of persons and property, which account for 43.0 percent, 7.4 percent, 13.7 percent and 24.6 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**VILLAGE OF ADA  
HARDIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
<b>Cash disbursements:</b>				
General government	\$ 215,084	\$ (174,088)	\$ 285,949	\$ (271,009)
Security of persons and property	712,567	(662,674)	676,036	(631,344)
Public health services	22,614	(22,614)	22,652	(22,652)
Leisure time activities	122,419	(78,566)	104,278	(48,676)
Community environment	19,842	(19,842)	10,526	(4,516)
Transportation	398,618	(257,011)	489,326	(330,303)
Capital outlay	1,246,947	(266,283)	651,946	(153,848)
Principal retirement	95,489	(24,340)	79,068	(15,578)
Interest and fiscal charges	66,416	(66,416)	74,313	(74,313)
<b>Total</b>	<b>\$ 2,899,996</b>	<b>\$ (1,571,834)</b>	<b>\$ 2,394,094</b>	<b>\$ (1,552,239)</b>

The dependence upon property and income tax receipts is apparent as 54.2 percent of governmental activities are supported through these general receipts.

**Business-type Activities**

Revenues were adequate to cover the costs to operate the Business Activities. The Village will continue to adjust rates so that each utility collects enough revenue to off-set costs.

**The Village's Funds**

The water fund had receipts of \$797,916 and disbursements of \$671,227. The fund balance of the Water Fund increased \$126,689. The sewer fund had receipts of \$1,081,078 and disbursements of \$1,023,868. The fund balance of the sewer fund increased \$57,210.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2012, the Village amended its budget several times to reflect changing circumstances. Actual receipts were 8.3% greater than budgeted. Final appropriations were slightly greater than original while actual disbursements were less than appropriations.

**VILLAGE OF ADA  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Capital Assets and Debt Administration**

**Capital Assets**

The Village does not currently keep track of its capital assets and infrastructure. The Village has acquired a software package to accomplish this task and is in the process of entering the necessary information. It was anticipated that this program would be fully functional for 2012, but reductions in staff delayed the implementation. This projected has been delayed until such time it can be completed.

**Debt**

At December 31, 2012, the outstanding debt was \$2,952,279 issued for water and sewer improvements, equipment, improvements to structures, and street improvements. The Village also has \$22,170 in capital leases for equipment. For further information regarding the Village's debt, refer to Notes 9 and 10 to the basic financial statements.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Crystal Huffer, Fiscal Officer, Village of Ada, 115 West Buckeye Avenue, P.O. Box 292, Ada, Ohio 45810.

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,681,426	\$2,077,765	\$3,759,191
Total Assets	1,681,426	2,077,765	3,759,191
<b>Net Position:</b>			
<b>Restricted for:</b>			
Capital Projects	85,319		85,319
Other Purposes	1,128,132		1,128,132
Unrestricted	467,975	2,077,765	2,545,740
Total Net Position	\$1,681,426	\$2,077,765	\$3,759,191

*See accompanying notes to the basic financial statements.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
General Government	\$215,084	\$40,996		
Security of Persons and Property	712,567	48,470		\$1,423
Public Health Services	22,614			
Leisure Time Activities	122,419	43,853		
Community Environment	19,842			
Transportation	398,618		\$141,607	
Capital Outlay	1,246,947			980,664
<b>Debt Service:</b>				
Principal Retirement	95,489	71,149		
Interest and Fiscal Charges	66,416			
<b>Total Governmental Activities</b>	<u>2,899,996</u>	<u>204,468</u>	<u>141,607</u>	<u>982,087</u>
<b>Business Type Activity:</b>				
Water	671,227	766,579		
Sewer	1,023,868	1,065,005		
Storm Sewer Utility	51,391	79,886		
Solid Waste & Refuse	198,496	221,624		
Utility Deposit	41,790	43,250		
<b>Total Business Type Activities</b>	<u>1,986,772</u>	<u>2,176,344</u>		
<b>Total</b>	<u>\$4,886,768</u>	<u>\$2,380,812</u>	<u>\$141,607</u>	<u>\$982,087</u>

**General Receipts**

Property and Other Local Taxes Levied for:  
 General Purposes  
 Municipal Income Taxes - General Purposes  
 Municipal Income Taxes - Swimming Pool  
 Municipal Income Taxes - Safety Tax Levy  
 Grants and Entitlements not Restricted to Specific Programs  
 Interest  
 Miscellaneous  
 Total General Receipts

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

*See accompanying notes to the basic financial statements.*

**Net (Disbursements) Receipts and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
(\$174,088)		(\$174,088)
(662,674)		(662,674)
(22,614)		(22,614)
(78,566)		(78,566)
(19,842)		(19,842)
(257,011)		(257,011)
(266,283)		(266,283)
(24,340)		(24,340)
<u>(66,416)</u>		<u>(66,416)</u>
<u>(1,571,834)</u>		<u>(1,571,834)</u>
	\$95,352	95,352
	41,137	41,137
	28,495	28,495
	23,128	23,128
	<u>1,460</u>	<u>1,460</u>
	<u>189,572</u>	<u>189,572</u>
<u>(1,571,834)</u>	<u>189,572</u>	<u>(1,382,262)</u>
61,169		61,169
958,004		958,004
143,701		143,701
479,002		479,002
114,998		114,998
18,630		18,630
94,197	47,410	141,607
<u>1,869,701</u>	<u>47,410</u>	<u>1,917,111</u>
297,867	236,982	534,849
<u>1,383,559</u>	<u>1,840,783</u>	<u>3,224,342</u>
<u>\$1,681,426</u>	<u>\$2,077,765</u>	<u>\$3,759,191</u>

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	General	Street Maintenance and Repair	Permissive Moter Vehicle Tax	Swimming Pool	Safety Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>								
Equity in Pooled Cash and Cash Equivalents	\$467,974	\$237,290	\$234,682	\$578,658	\$45,111	\$85,319	\$32,391	\$1,681,425
Total Assets	<u>467,974</u>	<u>237,290</u>	<u>234,682</u>	<u>578,658</u>	<u>45,111</u>	<u>85,319</u>	<u>32,391</u>	<u>1,681,425</u>
<b>Fund Balances:</b>								
Restricted		237,290	234,682	578,658	45,111	85,319	32,391	1,213,451
Assigned	54,720							54,720
Unassigned (Deficit)	413,254							413,254
Total Fund Balances	<u>\$467,974</u>	<u>\$237,290</u>	<u>\$234,682</u>	<u>\$578,658</u>	<u>\$45,111</u>	<u>\$85,319</u>	<u>\$32,391</u>	<u>\$1,681,425</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Street Maintenance and Repair	Permissive Motor Vehicle Tax	Swimming Pool	Safety Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>								
Property and Other Local Taxes	\$1,019,173		\$15,525	\$143,700	\$479,002			\$1,657,400
Charges for Services	40,996			43,853				84,849
Fines, Licenses and Permits	48,170	\$300						48,470
Intergovernmental	116,421	116,626				\$980,664	\$9,456	1,223,167
Special Assessments	71,149							71,149
Interest	15,203	2,065	1,223				140	18,631
Miscellaneous	56,080	10,010		2,805		25,302		94,197
Total Receipts	<u>1,367,192</u>	<u>129,001</u>	<u>16,748</u>	<u>190,358</u>	<u>479,002</u>	<u>1,005,966</u>	<u>9,596</u>	<u>3,197,863</u>
<b>Disbursements:</b>								
<b>Current:</b>								
General Government	215,084							215,084
Security of Persons and Property	270,573				441,994			712,567
Public Health Services	22,614							22,614
Leisure Time Activities	7,622			114,797				122,419
Community Environment	19,842							19,842
Transportation	213,977	183,256					1,386	398,619
Capital Outlay	140,495					1,106,452		1,246,947
<b>Debt Service:</b>								
Principal Retirement	55,889	39,600						95,489
Interest and Fiscal Charges	34,249	32,167						66,416
Total Disbursements	<u>980,345</u>	<u>255,023</u>		<u>114,797</u>	<u>441,994</u>	<u>1,106,452</u>	<u>1,386</u>	<u>2,899,997</u>
Excess of Receipts Over (Under) Disbursements	<u>386,847</u>	<u>(126,022)</u>	<u>16,748</u>	<u>75,561</u>	<u>37,008</u>	<u>(100,486)</u>	<u>8,210</u>	<u>297,866</u>
<b>Other Financing Sources (Uses):</b>								
Transfers In						76,413		76,413
Transfers Out	(76,413)							(76,413)
Total Other Financing Sources (Uses)	<u>(76,413)</u>					<u>76,413</u>		<u>-</u>
Net Change in Fund Balances	310,434	(126,022)	16,748	75,561	37,008	(24,073)	8,210	297,866
Fund Balances Beginning of Year, restated	<u>157,540</u>	<u>363,312</u>	<u>217,934</u>	<u>503,097</u>	<u>8,103</u>	<u>109,392</u>	<u>24,181</u>	<u>1,383,559</u>
Fund Balances End of Year	<u>\$467,974</u>	<u>\$237,290</u>	<u>\$234,682</u>	<u>\$578,658</u>	<u>\$45,111</u>	<u>\$85,319</u>	<u>\$32,391</u>	<u>\$1,681,425</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$988,732</u>	<u>\$859,510</u>	<u>\$229,522</u>	<u>\$2,077,764</u>
Total Assets	<u>988,732</u>	<u>859,510</u>	<u>229,522</u>	<u>2,077,764</u>
<b>Net Position:</b>				
Unrestricted	<u>988,732</u>	<u>859,510</u>	<u>229,522</u>	<u>2,077,764</u>
Total Net Position	<u>\$988,732</u>	<u>\$859,510</u>	<u>\$229,522</u>	<u>\$2,077,764</u>

*See accompanying notes to the basic financial statements.*

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Water</u>	<u>Sewer</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating Receipts:</b>				
Charges for Services	\$766,579	\$1,065,005	\$344,760	\$2,176,344
Other Operating Receipts	31,337	16,073		47,410
Total Operating Receipts	<u>797,916</u>	<u>1,081,078</u>	<u>344,760</u>	<u>2,223,754</u>
<b>Operating Disbursements:</b>				
Personal Services	218,970	230,224		449,194
Contract Services	113,685	98,014	207,134	418,833
Materials & Supplies	137,015	48,265		185,280
Utilities	42,233	99,821	5,541	147,595
Other	25,594	25,805	41,790	93,189
Total Operating Disbursements	<u>537,497</u>	<u>502,129</u>	<u>254,465</u>	<u>1,294,091</u>
Operating Income	260,419	578,949	90,295	929,663
<b>Non-Operating (Disbursements):</b>				
Principal Payments	(120,454)	(223,265)	(30,161)	(373,880)
Interest and Fiscal Charges	(13,276)	(32,364)	(7,051)	(52,691)
Capital Outlay		(266,110)		(266,110)
Total Non-Operating (Disbursements)	<u>(133,730)</u>	<u>(521,739)</u>	<u>(37,212)</u>	<u>(692,681)</u>
Change in Net Position	126,689	57,210	53,083	236,982
Net Position at Beginning of Year, restated	<u>862,043</u>	<u>802,300</u>	<u>176,439</u>	<u>1,840,782</u>
Net Position at End of Year	<u>\$988,732</u>	<u>\$859,510</u>	<u>\$229,522</u>	<u>\$2,077,764</u>

See accompanying notes to the basic financial statements.

VILLAGE OF ADA  
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2012

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$15,601
Total Assets	<u>\$15,601</u>
<b>Net Position:</b>	
Unrestricted	<u>\$15,601</u>

*See accompanying notes to the basic financial statements.*

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 1 - REPORTING ENTITY

The Village of Ada, Hardin County, Ohio (the "Village"), is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

##### A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with Ada Liberty Township Fire Department for fire protection services.

##### B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village of Ada has no component units.

##### C. Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations which are the Ada Liberty Joint Ambulance District and Hardin County Regional Planning Commission, and one public entity risk pool which is the Public Entities Pool of Ohio. Notes 6 and 12 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

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

##### 1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

##### 2. Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. All other receipts and disbursements are listed as non-operating on the fund statements.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### **B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

##### **1. Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Village's major governmental funds are the General Fund, Street Maintenance and Repair Fund, Permissive Motor Vehicle Tax Fund, Swimming Pool Fund, Safety Tax Fund and Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Street Maintenance and Repair Fund and the Permissive Motor Vehicle Tax Fund are used to account for receipts from taxes and state grants restricted for the repair and maintenance of Village streets. The Swimming Pool Fund is used to account for receipts from an income tax levy restricted for operations of the Village pool. The Safety Tax Fund is used to account for revenues from an income tax levy restricted for the Village's Police and Fire Services. The Capital Projects Fund is used to account for major capital improvements.

##### **2. Proprietary Funds**

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water and Sewer Funds. The Water Fund accounts for the provision of water to the residents and commercial users located within the Village and the payment of any related debts. The Sewer Fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village, the payment of any related debts, and the construction of and improvements to the Village's wastewater treatment plant.

##### **3. Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's Agency Fund is used to account for Fire Damage and Insurance deposits. The Village has no Trust funds.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### **C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

##### **D. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statement as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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 negative receipts (contra revenue), respectively.

During the year, the Village invested in federal agency securities (FHLB and FFCD) through Huntington National Bank. Certificates of deposit were purchased through the CDARS program.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2012 were \$15,203 which includes \$13,542 assigned from other funds.

##### **E. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Village does not have any restricted assets.

##### **F. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

##### **G. Capital Assets**

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

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

##### **H. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

##### **I. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

##### **J. Long-Term Obligations**

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither the other financing source nor capital outlay expenditures are reported at inception. Lease payments are reported when paid.

##### **K. Net Position**

Net position is reported as restricted when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes primarily includes resources restricted for maintenance of roads and the swimming pool.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position is available.

##### **L. Fund Balance**

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

**Non-spendable** - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** - Fund balance is reported as 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. Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

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

**Committed** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Village Council or a Village official delegated that authority by ordinance, or by State Statute.

**Un-assigned** - Un-assigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

#### **M. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

#### NOTE 3 - DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. The CDARS program.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

#### A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$38,707 of the Village's bank balance of \$2,794,628 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

**VILLAGE OF ADA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)**

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one-hundred-five percent of the deposits being secured.

**B. Investments**

As of December 31, 2012, the Village had the following investments which carry an AAA rating by Standard and Poor's:

<u>Description</u>	<u>Fair Value</u>	<u>Maturity</u>
Federal Farm Credit Bank Note	\$ 500,270	More than 1 year
Federal Home Loan Bank Notes	<u>500,010</u>	More than 1 year
Total	<u>\$ 1,000,280</u>	

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**NOTE 4 - INCOME TAXES**

The Village levies a 1.65 percent income tax whose proceeds are placed into the General Fund, Safety Tax Fund and the Swimming Pool Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100 percent of the 1.65 percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2012, was \$70.05 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 37,453,500
Commercial/industrial/public utilities	10,414,160
<u>Tangible personal property</u>	
Public utility	<u>2,151,760</u>
Total assessed value	<u>\$ 50,019,420</u>

NOTE 6 - RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

**VILLAGE OF ADA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 6 - RISK MANAGEMENT - (Continued)**

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$63,000.

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

**VILLAGE OF ADA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 6 - RISK MANAGEMENT - (Continued)**

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$73,382	\$63,013

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

**NOTE 7 - PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.00% for members. The Village's contribution rate for 2012 was 14.00% of covered payroll.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 7 - PENSION PLANS - (Continued)

The Village's contribution rate for pension benefits for members in the Traditional Plan for 2012 was 10.00%. The Village's contribution rate for pension benefits for members in the Combined Plan for 2012 was 7.95%. The Village's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$60,342, \$62,760, and \$61,069, respectively; 100% has been contributed for 2012, 2011 and 2010.

#### **B. Ohio Police and Fire Pension Fund**

Plan Description - The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the Village is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2012, the portion of the Village's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The Village's required contributions for pension obligations to OP&F for police officers was \$37,415 for the year ended December 31, 2012, \$38,449 for the year ended December 31, 2011, and \$36,833 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011 and 2010.

#### NOTE 8 - POSTRETIREMENT BENEFIT PLANS

#### **A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2012, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2012 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2012 was 6.05%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Village's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$24,135, \$25,104, and \$34,815, respectively; 100% has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

#### **B. Ohio Police and Fire Pension Fund**

Plan Description - The Village contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Village's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers was \$19,808 for the year ended December 31, 2012, \$20,355 for the year ended December 31, 2011, and \$19,500 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011 and 2010.

**VILLAGE OF ADA, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 9 - DEBT**

A summary of the Village's outstanding debt follows:

	Interest Rate	Balance 12/31/2011	Additions	Reductions	Balance 12/31/2012	Due in One Year
Ohio Water Development Authority (1989)	2.20%	\$ 359,209	\$ -	\$ 62,137	\$ 297,072	\$ 63,512
Ohio Water Development Authority (1996)	7.89%	55,723	-	55,723	-	-
Ohio Water Development Authority (2000)	2.20%	970,318	-	87,760	882,558	89,701
Ohio Waterworks Improvement Bonds (1993)	6.00%	55,000	-	55,000	-	-
Ohio Public Works Commission Loan	0.00%	85,791	-	1,716	84,075	3,432
General Obligation Note (2006)	5.31%	75,819	-	13,600	62,219	14,400
General Obligation Note (2011)	0.00%	25,958	-	8,653	17,305	8,653
General Obligation Note (2009)	0.00%	100,000	-	20,000	80,000	80,000
General Obligation Note (2006)	3.93%	136,150	-	32,100	104,050	33,400
Buckeye Street Improvement Bonds (2010)	5.29%	875,000	-	30,000	845,000	30,000
Streetscape Bonds (2004)	4.50%	640,000	-	60,000	580,000	60,000
<b>Total Principal Outstanding</b>		<u>\$ 3,378,968</u>	<u>\$ -</u>	<u>\$ 426,689</u>	<u>\$ 2,952,279</u>	<u>\$ 383,098</u>

The Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The 1989, 1996 and 2000 loans will be repaid in semiannual installments over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the (OWDA) debt service requirements.

Ohio Water Works Improvement Bonds were issued in 1993 for water system improvements and a refunding of previous bonded debt. The bonds are being paid annually over 20 years.

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

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

The Buckeye Street Improvement Bonds issued in 2010 were to purchase 119 W. Buckeye and 114 W. Buckeye Street properties which are associated with the Buckeye Street Project Phase 1. The Village entered into purchase agreements with the owners of the aforementioned Buckeye Street properties which require annual payments to the property owners; the bank loan is being utilized to finance the required payments.

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

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

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

General Obligation Note was issued in 2009 to purchase property. The principal will be retired in varying annual amounts over 5 years.

**VILLAGE OF ADA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 9 - DEBT - (Continued)**

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

Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 383,098	\$ 102,374	\$ 485,472
2014	308,486	92,469	400,955
2015	290,398	82,396	372,794
2016	258,839	73,537	332,376
2017	210,808	65,717	276,525
2018 - 2022	870,923	235,258	1,106,181
2023 - 2027	397,158	101,471	498,629
2028 - 2032	217,158	18,780	235,938
2033 - 2037	<u>15,411</u>	<u>-</u>	<u>15,411</u>
Total	<u>\$ 2,952,279</u>	<u>\$ 772,002</u>	<u>\$ 3,724,281</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and un-voted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2012, were an overall debt margin of \$3,729,734 with an un-voted debt margin of \$1,228,763.

**NOTE 10 - LEASES**

The Village leases vehicles and other equipment under non-cancelable leases. The Village disbursed \$42,680 to pay lease costs for the year ended December 31, 2012. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 7,390
2014	7,390
2015	<u>7,390</u>
Total	<u>\$ 22,170</u>

**NOTE 11 - CONTINGENT LIABILITIES**

- A. Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.
- B. At December 31, 2012, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

## VILLAGE OF ADA, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

#### NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

##### A. Ada Liberty Joint Ambulance District

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

##### B. Hardin County Regional Planning Commission

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

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

#### NOTE 13 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

- i. For 2012, the Village has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the Village.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the Village.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 13 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows or resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the Village's financial statements to incorporate the concept of net position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Village.

- ii. To more accurately represent the Village's operations, the Village elected to combine certain funds on a reporting basis that were previously reported separately.
  - The Village combined the following funds into the Water Fund for 2012: Water Fund, Water Reserve Fund, Water Debt Service Fund and the Water Equipment Reserve Fund.
  - The Village combined the following funds into the Sewer Fund for 2012: WWTP Construction Fund, Sewer Fund, Sewer Improvement Fund, Sewer Reserve Fund, Sewer Debt Service Fund and Sewer Equipment Reserve Fund.
  - The Village combined the following funds into the Swimming Pool Fund for 2012: Swimming Pool Reserve Fund and Swimming Pool Fund.

The following are the calculations of restated beginning fund balances for these funds:

	Governmental Funds		Business-Type Funds				
	<u>Swimming Pool</u>	<u>Swimming Pool Reserve</u>	<u>Water</u>	<u>Sewer</u>	<u>Water Reserve</u>	<u>Sewer Debt Retirement</u>	<u>Other Enterprise Funds</u>
Fund Balances at December 31, 2011, as previously reported	\$ 20,697	\$ 482,400	\$ 512,257	\$ 461,422	\$ 224,003	\$ 121,938	\$ 521,163
Adjustments:							
December 31, 2011 Fund Balances of combining funds, as described above	482,400	(482,400)	349,786	340,878	(224,003)	(121,938)	(344,724)
Fund Balances at December 31, 2011, restated	<u>\$ 503,097</u>	<u>\$ -</u>	<u>\$ 862,043</u>	<u>\$ 802,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,439</u>

**VILLAGE OF ADA, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012

**NOTE 13 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Compliance**

The Village did not properly certify thirty-five percent of the disbursement transactions tested during 2012.

**NOTE 14 - FUND CASH BALANCE**

Fund cash balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund cash balance for the major governmental funds and all other governmental funds are presented below:

Fund cash balance	General	Street Maintenance and Repair	Permissive Motor Vehicle Tax	Swimming Pool	Safety Tax	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted:								
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,319	\$ -	\$ 85,319
Security of persons and property	-	-	-	-	45,111	-	-	45,111
Transportation projects	-	237,290	234,682	-	-	-	32,391	504,363
Leisure time activities	-	-	-	578,658	-	-	-	578,658
Total restricted	<u>-</u>	<u>237,290</u>	<u>234,682</u>	<u>578,658</u>	<u>45,111</u>	<u>85,319</u>	<u>32,391</u>	<u>1,213,451</u>
Assigned:								
General government	6,971	-	-	-	-	-	-	6,971
Security of persons and property	470	-	-	-	-	-	-	470
Transportation	1,446	-	-	-	-	-	-	1,446
Capital outlay	45,833	-	-	-	-	-	-	45,833
Total assigned	<u>54,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,720</u>
Unassigned	413,254	-	-	-	-	-	-	413,254
Total fund cash balances	<u>\$ 467,974</u>	<u>\$ 237,290</u>	<u>\$ 234,682</u>	<u>\$ 578,658</u>	<u>\$ 45,111</u>	<u>\$ 85,319</u>	<u>\$ 32,391</u>	<u>\$ 1,681,425</u>

**NOTE 15 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended December 31, 2012, consisted of the following, as reported in the fund financial statements:

Transfer from general fund to:

Capital projects fund	<u>\$ 76,413</u>
Total	<u>\$ 76,413</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the statement of activities - cash basis.

# **BUDGETARY SCHEDULES**

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$979,219	\$979,219	\$1,019,173	\$39,954
Charges for Services	47,000	47,000	40,996	(6,004)
Fines, Licenses and Permits	30,144	30,144	48,170	18,026
Intergovernmental	92,924	92,924	116,421	23,497
Special Assessments	63,450	63,450	71,149	7,699
Interest	16,000	16,000	15,203	(797)
Miscellaneous	33,520	33,520	56,080	22,560
Total Receipts	<u>1,262,257</u>	<u>1,262,257</u>	<u>1,367,192</u>	<u>104,935</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	236,684	239,080	222,055	17,025
Security of Persons and Property	292,197	298,392	270,799	27,593
Public Health Services	23,332	22,830	22,614	216
Leisure Time Activities	11,515	11,515	7,622	3,893
Community Environment	12,466	19,842	19,842	-
Transportation	351,200	358,562	215,423	143,139
<b>Debt Service:</b>				
Principal Retirement	56,499	56,499	55,889	610
Interest and Fiscal Charges	34,249	34,249	34,249	-
Total Disbursements	<u>1,018,142</u>	<u>1,040,969</u>	<u>848,493</u>	<u>192,476</u>
Excess of Receipts Over (Under) Disbursements	<u>244,115</u>	<u>221,288</u>	<u>518,699</u>	<u>297,411</u>
<b>Other Financing Sources (Uses)</b>				
Transfer Out	(116,735)	(165,236)	(165,236)	-
Intrafund Transfer In	686,515	686,515	748,034	61,519
Intrafund Transfer Out	(748,034)	(748,034)	(748,034)	-
Fund Balance Beginning of Year, restated	47,180	47,180	47,180	
Prior Year Encumbrances Appropriated	<u>12,612</u>	<u>12,612</u>	<u>12,612</u>	
Fund Balance End of Year	<u>\$125,653</u>	<u>\$54,325</u>	<u>\$413,255</u>	<u>\$358,930</u>

See accompanying notes to the budgetary schedules.

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
STREET MAINTENANCE AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Intergovernmental	108,000	108,000	116,626	\$8,626
Interest	3,600	3,600	2,065	(1,535)
Fines, Licenses, and Permits			300	300
Miscellaneous	10,050	10,050	10,010	(40)
Total Receipts	<u>121,650</u>	<u>121,650</u>	<u>129,001</u>	<u>7,351</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Transportation	187,000	187,000	183,256	3,744
<b>Debt Service:</b>				
Principal Retirement	39,600	39,600	39,600	-
Interest and Fiscal Charges	32,167	32,167	32,167	-
Total Disbursements	<u>258,767</u>	<u>258,767</u>	<u>255,023</u>	<u>3,744</u>
Excess of Receipts(Under) Disbursements	(137,117)	(137,117)	(126,022)	11,095
Fund Balance Beginning of Year	<u>363,312</u>	<u>363,312</u>	<u>363,312</u>	
Fund Balance End of Year	<u>\$226,195</u>	<u>\$226,195</u>	<u>\$237,290</u>	<u>\$11,095</u>

*See accompanying notes to the budgetary schedules.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
PERMISSIVE MOTOR VEHICLE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$15,000	\$15,000	\$15,525	\$525
Interest	1,550	1,550	1,223	(327)
Total Receipts	<u>16,550</u>	<u>16,550</u>	<u>16,748</u>	<u>198</u>
Total Disbursements				-
Excess of Receipts Over Disbursements	16,550	16,550	16,748	198
Fund Balance Beginning of Year	<u>217,934</u>	<u>217,934</u>	<u>217,934</u>	
Fund Balance End of Year	<u><u>\$234,484</u></u>	<u><u>\$234,484</u></u>	<u><u>\$234,682</u></u>	<u><u>\$198</u></u>

*See accompanying notes to the budgetary schedules.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SWIMMING POOL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$130,290	\$130,290	\$143,700	\$13,410
Charges for Services	53,000	53,000	43,853	(9,147)
Miscellaneous	500	500	2,805	2,305
Total Receipts	<u>183,790</u>	<u>183,790</u>	<u>190,358</u>	<u>6,568</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Leisure Time Activities	151,385	151,385	116,505	34,880
Total Disbursements	<u>151,385</u>	<u>151,385</u>	<u>116,505</u>	<u>34,880</u>
Excess of Receipts Over Disbursements	<u>32,405</u>	<u>32,405</u>	<u>73,853</u>	<u>41,448</u>
<b>Other Financing Sources (Uses):</b>				
Intrafund Transfer In	60,018	60,018	42,715	(17,303)
Intrafund Transfer Out	<u>(60,018)</u>	<u>(60,018)</u>	<u>(42,715)</u>	<u>17,303</u>
Net Change in Fund Balance	<u>32,405</u>	<u>32,405</u>	<u>73,853</u>	<u>58,751</u>
Fund Balance Beginning of Year, restated	482,400	482,400	482,400	
Prior Year Encumbrances Appropriated	<u>20,697</u>	<u>20,697</u>	<u>20,697</u>	
Fund Balance End of Year	<u>\$535,502</u>	<u>\$535,502</u>	<u>\$576,950</u>	<u>\$41,448</u>

*See accompanying notes to the budgetary schedules.*

**VILLAGE OF ADA  
HARDIN COUNTY**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SAFETY TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$454,500	\$454,500	\$479,002	\$24,502
Total Receipts	<u>454,500</u>	<u>454,500</u>	<u>479,002</u>	<u>24,502</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Security of Persons and Property	454,500	455,100	443,672	11,428
Total Disbursements	<u>454,500</u>	<u>455,100</u>	<u>443,672</u>	<u>11,428</u>
Excess of Receipts(Under) Disbursements	<u>-</u>	<u>(600)</u>	<u>35,330</u>	<u>35,930</u>
Fund Balance Beginning of Year	7,503	7,503	7,503	
Prior Year Encumbrances Appropriated	<u>600</u>	<u>600</u>	<u>600</u>	
Fund Balance End of Year	<u><u>\$8,103</u></u>	<u><u>\$7,503</u></u>	<u><u>\$43,433</u></u>	<u><u>\$35,930</u></u>

*See accompanying notes to the budgetary schedules.*

## VILLAGE OF ADA, OHIO

### NOTES TO THE BUDGETARY SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2012

#### **Basis of Accounting**

The budget is prepared on the same cash basis as applied to the funds in the basic financial statements.

#### **Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinances, all of which are prepared on the cash basis as required by the County Budget Commission. All funds, other than Agency Funds, are legally required to be budgeted and appropriated. The certificate of estimated resources and the appropriation ordinances are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources as certified. All changes in appropriated amounts require action by Village Council.

**Tax Budget** – The Hardin County Budget Commission has adopted a resolution waiving required adoption of the annual tax budget for subdivisions that file their prior year financial statement with the Commission by June 30th and which either have no public debt or which have public debt and file additional debt-related information with the Commission.

**Estimated Resources** – Prior to October 1, the Village accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the estimated fund balance and projected revenue of each fund. Prior to December 31, the Village must revise its budget for the upcoming year so that expenditures/expenses from any fund during the year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about January 1, the certificate is amended to include the actual unencumbered fund balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the fiscal officer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during 2012.

**Appropriations** – By March 31, the annual appropriation ordinance must be legally enacted by the Village at the fund/department/object level which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Village may pass a temporary appropriation measure to meet the ordinary expenses of the Village. The appropriation ordinance, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation or alter total appropriations within an object of a department must be approved by Village Council. Council may pass supplemental fund appropriations so long as the total appropriation by fund does not exceed the amounts set forth in the most recent amended certificate of estimated resources. During the year, several supplemental appropriations were adopted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

**Budgeted Level of Expenditure/Expense** – Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from Council. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by Council. For all funds, Council appropriations are made by fund.

**Lapsing of Appropriations** - Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**VILLAGE OF ADA, OHIO**

NOTES TO THE BUDGETARY SCHEDULES  
FOR THE YEAR ENDED DECEMBER 31, 2012

**Encumbrances** – Encumbrance accounting is utilized by Village funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as either part of the restricted, committed, or assigned fund balance and as the equivalent of expenditures on the budgetary comparison in order to demonstrate legal compliance. This encumbrance authority is carried forward to the next fiscal year and is reported in the “Revised Budget” amount for budgetary comparisons. If the actual expenditures are less than the amount encumbered, the excess reserve is closed to the unreserved fund balance. At December 31, 2012, the encumbrances outstanding at year-end amounted to \$8,887 for the General Fund, \$1,708 for the Swimming Pool Fund and \$1,678 for the Safety Tax Fund.

**Budgetary Prior Period Adjustment** – In prior years, certain funds that are legally budgeted in separate special revenue funds were considered part of the General Fund on a budgetary basis. The Village has elected to report only the legally budgeted General Fund on the budgetary statement. Therefore, a restatement to the beginning budgetary balance is required. The restatement of the General Fund’s budgetary-basis fund balance at December 31, 2011 is as follows:

<u>Budgetary Basis</u>	<u>General Fund</u>	<u>Swimming Pool</u>	<u>Swimming Pool Reserve</u>
Unencumbered balance at December 31, 2011	\$ 157,540	\$ -	\$ 482,400
Funds budgeted elsewhere	<u>(110,360)</u>	<u>482,400</u>	<u>(482,400)</u>
Restated balance at December 31, 2011	<u>\$ 47,180</u>	<u>\$ 482,400</u>	<u>\$ -</u>

## **SUPPLEMENTARY DATA**

VILLAGE OF ADA  
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2012

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b>U.S. DEPARTMENT OF TRANSPORTATION</b> <i>(Passed through Ohio Department of Transportation)</i> <b>Highway Planning and Construction</b>	85351	20.205	\$ 662,172
Total Federal Awards Expenditures			<u>\$ 662,172</u>

**Notes to the Schedule of Federal Awards Expenditures:**

**Note A - Significant Accounting Policies**

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

**Note B - Matching Requirements**

Certain Federal programs require that the Village contribute non-Federal funds (match funds) to support the Federally-funded programs. The Village has complied with the matching requirements. The expenditure of non-Federal matching funds is not included in the Schedule.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Village of Ada  
115 W. Buckeye Street  
P.O. Box 292  
Ada, Ohio 45810

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Ada's basic financial statements, and have issued our report thereon dated August 27, 2013 wherein we noted the Village of Ada uses a special purpose framework other than generally accepted accounting principles and the Village of Ada has restated the December 31, 2011 balances of the water, sewer and swimming pool funds.

***Internal Control Over Financial Reporting***

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

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Ada's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-VOA-001 and 2012-VOA-002 in the accompanying schedule of findings and responses to be material weaknesses.

Members of Council and Mayor  
Village of Ada

***Compliance and Other Matters***

As part of reasonably assuring whether the Village of Ada's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matters we must report under *Government Auditing Standards* described in the accompanying schedule of findings and responses as 2012-VOA-002.

***Village of Ada's Response to Findings***

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

We also noted certain matters not requiring inclusion in this report that we reported to the Village of Ada's management in a separate letter dated August 27, 2013.

***Purpose of this Report***

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



Julian & Grube, Inc.  
August 27, 2013



**Julian & Grube, Inc.**  
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable  
to Each Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133**

Village of Ada  
115 W. Buckeye Street  
P.O. Box 292  
Ada, Ohio 45810

To the Members of Council and Mayor:

***Report on Compliance for Each Major Federal Program***

We have audited the Village of Ada's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Ada's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Village of Ada's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the Village of Ada complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Members of Council and Mayor  
Village of Ada

***Report on Internal Control Over Compliance***

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

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

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

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



Julian & Grube, Inc.  
August 27, 2013

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

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

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2012-VOA-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

The following audit adjustments were made to correct misstatements identified in the audit of the Village's financial statements:

Governmental Activities (Government-Wide Financial Statements) -

- i. \$85,318 was reclassified from restricted for other purposes to restricted for capital projects on the Statement of Net Position.
- ii. \$141,607 of Motor Vehicle and Gas Taxes was reclassified from charges for services to Operating Grants and Contributions on the Statement of Activities.
- iii. \$980,664 of Capital Grant Program receipts was reclassified from the General Government disbursement function to the Capital Outlay disbursement function on the Statement of Activities.
- iv. \$955,741 of transfers in and out between governmental funds was eliminated from Governmental Activities on the Statement of Activities.

Business-type Activities (Government-Wide Financial Statements) - \$2,077,764 was reclassified from Restricted for Other Purposes to Unrestricted on the Statement of Net Position.

General Fund (Major General fund) - \$836,613 of transfers in and out between General Fund special cost centers was eliminated from the Governmental Statement of Revenues, Expenditures, and Changes in Cash Basis Fund Balances.

Permissive Motor Vehicle Tax (Major Special Revenue fund) - \$15,525 of Permissive Motor Vehicle Tax revenue was reclassified from Intergovernmental Receipts to Property & Other Local Tax Receipts.

Water Fund (Major Enterprise Fund) -

- i. \$28,653 was reclassified from Capital Outlay to Debt Service Principal Payments.
- ii. \$537,497 of disbursements was reclassified from "Billing – Water" to the proper caption titles on the Proprietary Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis.

Sewer Fund (Major Enterprise Fund) -

- i. The Village had a new fund, the Wastewater Treatment Plant Construction Fund, which was included as a governmental fund on the unaudited financial statements. The audited financial statements have been adjusted to properly reflect this fund as a part of the sewer fund.
- ii. \$502,129 of disbursements was reclassified from "Billing – Sewer" and "Other Sanitary Sewers" to the proper caption titles on the Proprietary Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis.

Nonmajor Enterprise Fund - \$254,465 of disbursements was reclassified from "Billing – Refuse," "Billing – Storm Sewer," and "Other Basic Utility Service" to the proper caption titles on the Proprietary Statement of Cash Receipts, Disbursements, and Changes in Fund Net Position – Cash Basis.

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2012-VOA-001- (Continued)

In addition to the classification and recording errors described above, the following errors and omissions were identified in the Village’s financial statements and note disclosures:

- The debt disclosures provided by the Village required modifications to be presented fairly.
- The Village did not include required disclosures regarding fund balances and interfund transactions.
- The financial statement notes omitted information such as the amount of interest revenue assigned to the general fund from other Village funds, and the Village’s contributions to retirement systems.
- The MD&A included information that was not applicable to current year financial activity.
- The Village did not perform a major fund determination when creating their financial statements.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

*Client Response:* The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented policies and procedures to help with financial statement presentation.

Finding Number	2012-VOA-002
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Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.41(D) states that no subdivision 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. 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 orders for expenditures lacking prior certification shall be null and void.

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.

- a) “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contractor 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 subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision 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 office 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 subdivision.

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2012-VOA-002- (Continued)

- b) Blanket certificate - Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the 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.
- c) Super Blanket certificate – The subdivision 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 one line item appropriation. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not properly certify thirty-five percent of the disbursement transactions tested during 2012.

Without timely certification, the Village may expend more funds than available in the treasury, in the process of collection, or appropriated by the Village Council, which could potentially lead to negative fund balances. In addition, the Village may make unnecessary purchases.

To improve controls over disbursements, and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the fiscal officer should certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used. When the "Then and Now" certification is used for amounts in excess of \$3,000, the Council should approve the payment by resolution within 30 days.

Client Response: It is the intent of the village to improve compliance by more closely following as described in the finding to ensure prior certification for exceptions to ORC 5704.41(D) and, when necessary, to have Council approve payments by resolution.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**VILLAGE OF ADA  
HARDIN COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-01	<u>Material Weakness</u> - The Village does not have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements.	No	Repeated as finding 2012-VOA-001
2011-02	<u>Finding for Recovery - Repaid Under Audit</u> - State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. The Village Fiscal Officer owed \$175 to the Sewer Fund.	Yes	N/A
2011-03	State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. The Village Fiscal Officer owed \$26 to the General Fund and \$193 to the Water Fund.	Yes	N/A
2011-04	<u>Material Weakness/Noncompliance Citation</u> - Ohio Revised Code Section 5705.09 states each subdivision shall establish specific funds.	Yes	N/A
2011-05	<u>Noncompliance Citation</u> - Ohio Revised Code Section 5705.41(D) states that no subdivision 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.	No	Repeated as finding 2012-VOA-003



# Dave Yost • Auditor of State

VILLAGE OF ADA

HARDIN COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 22, 2013