



Dave Yost • Auditor of State



VILLAGE OF ADENA  
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2012 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2012 .....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2011 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	13
Schedule of Findings .....	15
Schedule of Prior Audit Findings .....	25





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Adena  
Jefferson County  
PO Box 507  
Adena, Ohio 43901-0507

To the Village Council:

We have selectively tested accounts, financial records, files and reports of the Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2012 and 2011 following Ohio Administrative Code Section 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we do express no opinion on them.

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

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

**Dave Yost**  
Auditor of State

December 11, 2014

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**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
<i>Total Cash Receipts</i>	<u>\$81,875</u>	<u>\$118,972</u>	<u>\$200,847</u>
<b>Cash Disbursements</b>			
<i>Total Cash Disbursements</i>	<u>80,939</u>	<u>120,124</u>	<u>201,063</u>
<i>Net Change in Fund Cash Balances</i>	<u>936</u>	<u>(1,152)</u>	<u>(216)</u>
<i>Fund Cash Balances, January 1</i>	<u>45</u>	<u>119,136</u>	<u>119,181</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$981</u></u>	<u><u>\$117,984</u></u>	<u><u>\$118,965</u></u>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Cash Receipts</b>	
<i>Total Cash Receipts</i>	<u>\$391,792</u>
<b>Cash Disbursements</b>	
<i>Total Cash Disbursements</i>	<u>419,159</u>
<i>Net Change in Fund Cash Balances</i>	<u>(27,367)</u>
<i>Fund Cash Balances, January 1</i>	<u>35,634</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,267</u></u>

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>			
<i>Total Cash Receipts</i>	\$74,160	\$176,539	\$250,699
<b>Cash Disbursements</b>			
<i>Total Cash Disbursements</i>	96,039	160,334	256,373
<i>Net Change in Fund Cash Balances</i>	(21,879)	16,205	(5,674)
<i>Fund Cash Balances, January 1</i>	21,924	102,931	124,855
<i>Fund Cash Balances, December 31</i>	<u>\$45</u>	<u>\$119,136</u>	<u>\$119,181</u>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
<b>Cash Receipts</b>	
<i>Total Cash Receipts</i>	<u>\$344,113</u>
<b>Cash Disbursements</b>	
<i>Total Cash Disbursements</i>	<u>357,366</u>
<i>Net Change in Fund Cash Balances</i>	<u>(13,253)</u>
<i>Fund Cash Balances, January 1</i>	<u>48,887</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$35,634</u></u>

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Adena, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, street maintenance and repair, water and sewer utilities, park operations, and police services. The Village contracts with Adena Volunteer Fire Department for fire protection and emergency medical services.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Emergency Management Services Levy Fund – This fund receives money from a levy to pay for the cost of emergency medical services.

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Revenue Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Revenue Fund - This fund receives charges for services from residents to cover sewer service costs.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

Deposits	\$107,232	\$134,815
Certificates of Deposit	20,000	20,000
Total Deposits	\$127,232	\$154,815

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$81,875	\$81,875
Special Revenue		118,972	118,972
Enterprise		391,792	391,792
Total	\$0	\$592,639	\$592,639

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$109,992	\$80,939	\$29,053
Special Revenue	181,484	120,124	61,360
Enterprise	380,467	419,159	(38,692)
Total	\$671,943	\$620,222	\$51,721

**2011 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,000	\$74,160	(\$5,840)
Special Revenue	112,000	176,539	64,539
Enterprise	397,600	344,113	(53,487)
Total	\$589,600	\$594,812	\$5,212

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,856	\$96,039	\$3,817
Special Revenue	174,724	160,334	14,390
Enterprise	398,008	357,366	40,642
Total	\$672,588	\$613,739	\$58,849

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio Revised Code Sections 5705.41(B), budgetary expenditures exceeded appropriation authority in all following funds:

**2011:**

Village Match Grant Fund	\$46,287
Emergency Medical Services Levy Fund	1,042
Fire Levy Fund	552
Police Levy Fund	2,079
Water Fund	13,913
Sewer Fund	41,153

**2012:**

Village Match Grant Fund	\$4,111
Emergency Medical Services Levy Fund	7,404
Fire Levy Fund	2,946
Police Levy Fund	2,127
Ohio Water Development Authority Loan Fund	10,239
Water Fund	49,980
Sewer Fund	1,322

Also contrary to Ohio Revised Code Section 5705.10(I), the Sewer Fund had a deficit cash balance of \$8,344 for the year ended December 31, 2011. The Police Levy and Sewer Funds had deficit cash balances of \$654 and \$15,813, respectively for the year ended December 31, 2012.

Contrary to Ohio Revised Code Section 5705.36, the Village failed to certify available revenue to the County Auditor in 2012.

Contrary to Ohio Revised Code Section 5705.39, the Village appropriation authority exceeded estimated revenue to the County Auditor in 2012.

Contrary to Ohio Revised Code Section 5705.36(A)(4), in 2011, Village appropriations exceeded actual resources in the General, Fire Levy, and Water Funds by \$5,840, \$1,769, and \$11,245, respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. PROPERTY TAX (Continued)**

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

**5. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Mortgage Revenue Bonds	\$29,000	5.00%
Ohio Water Development Authority Loans	441,562	2% - 8.04%
General Obligation Notes	2,893	0.00%
Total	\$473,455	

The mortgage revenue bonds were issued by the Village to pay for water system improvement construction projects. The Village will repay the bonds in annual installments. Water receipts collateralize the bonds and the village has agreed to set water rates sufficient to cover USDA debt service requirements.

Four Ohio Water Development Authority (OWDA) loans relate to water and sewer planning and construction projects. The OWDA approved \$915,606 in loans to the village for this project. The village will repay the loans in semiannual installments for each of the four loans. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village issued a general obligation note to finance the purchase of a new dump truck.

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

Year ending December 31:	Mortgage Revenue Bonds	OWDA Loans	General Obligation Note
2013	\$10,450	\$36,822	\$1,935
2014	11,000	66,182	1,190
2015	10,500	54,164	
2016		44,777	
2017		42,245	
2018-2022		205,683	
2023		41,136	
Total	\$31,950	\$491,009	\$3,125

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011 OPERS members contributed an amount equaling 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**7. Risk Pool Membership**

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2013, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

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

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2012.

	<u>2012</u>
Assets	\$ 1,097,683
Liabilities	<u>(791,222)</u>
Accumulated Surplus	\$ <u>306,461</u>



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Village of Adena  
Jefferson County  
PO Box 507  
Adena, Ohio 43901-0507

To the Village Council:

We have selectively tested certain accounts, financial records, files and reports of the Village of Adena, Jefferson County, (the Village) as of and for the years ended December 31, 2012 and 2011 following Ohio Administrative Code Section 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting, we noted matters that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, those matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2012-001 through 2012-004 and 2012-010.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Village. Noncompliance with these requirements could impact the Village's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2012-001 through 2012-009.

We intend this report solely for the information and use of, management and Village Council. It is not intended for anyone other than these specified parties.

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

**Dave Yost**  
Auditor of State

December 11, 2014

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**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

**FINDING NUMBER 2012-001**

**Clerk/Treasurer Responsibilities**

**Noncompliance Citation/ Material Weakness**

**Ohio Rev. Code § 733.28** provides that the village clerk shall keep the books of the village, exhibit accurate statement of all moneys received and expended, of all the property owned by the village and income derived there from, and of all the taxes and assessments. Ohio Rev. Code § 733.43 provides that the treasurer of a municipal corporation shall keep an accurate account of: all moneys received by him, showing the amount thereof, the time received, from whom, and on what account received; and all disbursements made by him, showing the amount thereof, the time thereof, the time made, to whom, and on what account paid. Ohio Rev. Code § 733.261(C) states that the village clerk/treasurer shall perform the duties provided by law for the clerk and the treasurer.

The Village Clerk/Treasurer did not keep the books of the Village, and failed to exhibit accurate statements of moneys received and expended, and of all the property owned by the Village or income derived there from and of all taxes and assessments. The Village Clerk/Treasurer did not prepare monthly bank to book reconciliations.

The Village Clerk/Treasurer should record all the financial activity of the Village in the receipts ledger, appropriation ledger, and cash journal as appropriate, so that accurate statements of all monies received and expended can be prepared.

The Village Clerk/Treasurer should perform monthly bank reconciliations. Periodically, financial statements and monthly bank reconciliations should be presented to Council for review. These periodic reviews should be noted in the minutes and reviewed documents should be initialed by the reviewer.

**Official's Response:** No response received from officials.

**FINDING NUMBER 2012-002**

**Accounting Records**

**Noncompliance Citation/ Material Weakness**

**Ohio Admin. Code § 117-2-02 (A)** requires all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Additionally, **Ohio Admin. Code § 117-2-02 (D)** requires all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.

**FINDING NUMBER 2012-002  
(Continued)**

- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
- (3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations and any other information required may be entered in the appropriate columns.
- (4) In addition, all local public offices should maintain or provide a report similar to the following accounting records:
  - (a) Utilities billing records including:
    - (i) Cash receipts records, recording cash received and date received on each account.
  - (b) Payroll records including:
    - (i) W-2's, W-4's and other withholding records and authorizations.
    - (ii) Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments.
    - (iii) Check register that includes, in numerical sequence, the check number, payee, net amount, and the date.
    - (iv) Information regarding nonmonetary benefits such as car usage and life insurance.
    - (v) Information, by employee, regarding leave balances and usage.

In 2011, the Village lacked complete and accurate records and did not maintain an accounting system sufficient to accurately record and report the Village's financial activity. The Village did not maintain the following records:

- (1) A cash journal
- (2) Receipt and appropriation ledgers were not maintained.
- (3) A daily receipt ledger for utilities was not maintained for 2011.

The Village Clerk/Treasurer should maintain the accounting system to enable to the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability of Village funds.

**Official's Response:** No response received from officials.

## FINDING NUMBER 2012-003

### Monitoring Controls

#### Material Noncompliance and Material Weakness

**Ohio Admin. Code Section 117-2-01 (A)** provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Subsection (C) (5) provides that internal control consists of the following component, among others: monitoring, which is a process that assesses the quality of internal control performance over time.

Monitoring controls are comprised of regular management and supervisory activities established to oversee whether management's objectives are being achieved. Effective monitoring controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions.

Monitoring controls should assist management in identifying unexpected results and/or possible misstatements.

Some effective monitoring controls include:

- Regular review of monthly financial statements;
- Review of revenues and expenses with independently accumulated information (budgets, past performances, peer group representatives, etc.);
- Review of large or unusual fluctuations;
- Identification of unusual fluctuations;
- Comparison of financial statement position with financial projections and other internally prepared projections of financial position and operating results;
- Comparison of predefined key performance indicators based on the financial statements;
- Review of items which have been outstanding for extended periods of time (outstanding check listing for payroll and non-payroll transactions);
- Monitoring compliance with grant agreements;
- Ensuring that an adequate segregation of duties exists;
- Reviewing of monthly bank reconciliations by someone independent of their preparation.

The Village did not implement any of these controls and a lack of effective monitoring controls could lead to the misallocation or misstatement of village funds, expenditure of funds contrary to the directives of Village Council, and non-compliance with federal or state laws or regulations. This could result in a loss funding from federal and state sources, and errors or irregularities occurring in financial transactions which affect the bank reconciliations could go undetected. The Village's failure to provide records and supporting documentation for receipts and expenditures on the financial statements caused us to disclaim our opinion.

**FINDING NUMBER 2012-004**

**Monthly Reconciliations**

**Noncompliance/ Material Weakness**

**Ohio Admin. Code § 117-2-02 (B)(1) and (2)** requires the government's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious and that transactions that should be included in the financial records are included.

Accurate monthly book to bank reconciliations could not be prepared as several transactions were not recorded in the Village's accounting records. In order to present accurate cash reconciliations and accurate financial statements, the following adjustments are reflected in the accompanying financial statements.

2011:

<b>Fund</b>	<b>Revenue</b>	<b>Disbursements</b>
General	\$10,831	\$10,793
Street Construction, Maintenance, and Repair	8,108	5,146
Permissive Motor Vehicle License Tax	589	1
New Street Improvement Levy	4,313	(619)
Emergency Management Services Levy	6,041	(169)
Fire Levy	2,775	(73)
Police Levy	71	2,402
Village Match Grants		(4,162)
Park Levy	2,064	316
Debt Retirement	(70,763)	(70,763)
Water	1,097	8,647
Sewer	758	26,788
Ohio Water Development Authority	(19,327)	(19,327)
Guarantee Deposit	(100)	
Waterline Loan	(41,136)	(41,136)

2012:

<b>Fund</b>	<b>Revenue</b>	<b>Disbursements</b>
General	\$25	(\$18,271)
Street Construction, Maintenance, and Repair		(418)
Permissive Motor Vehicle License Tax	1,090	(1,400)
Village Match Grants	4,162	
Police Levy		(48)
Park Levy		(57)
Water	(340)	(13,070)
Sewer		(2,941)

**FINDING NUMBER 2012-004  
(Continued)**

The Village Clerk/Treasurer should record all transactions and prepare complete and accurate monthly bank to book reconciliations, which include all bank accounts and all fund balances. Variances between the bank balance and book balance should be investigated, documented, and corrected, if appropriate. Failure to consistently post all transactions increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Village Clerk/Treasurer should maintain the accounting system to enable the Village identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, the Village Council should review the monthly cash reconciliations, the support for the reconciliations and document the reviews.

**Official's Response:** No response received from officials.

**FINDING NUMBER 2012-005**

**Certification of Ending Balances and Appropriations Exceed Resources**

**Noncompliance**

**Ohio Rev. Code § 5705.36** provides that on or about the first day of each fiscal year, the fiscal officer of a subdivision is to certify to the County Auditor the total amount from all sources which is available for expenditures and the balances from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also provides that no appropriation measure shall become effective until the county auditor files with the taxing authority a certificate that the total appropriations from each fund does not exceed the total estimated revenue.

The Clerk/Treasurer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the County Auditor for 2012. Failure to file the certificate resulted in appropriations exceeded the amount certified as available by the budget commission in all funds for 2012.

The Clerk/Treasurer should certify to the County Auditor the total amount from all sources to established limits for Council approved appropriations. A copy of the form filed with the County Auditor should be maintained on file at the Village. In addition, failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances. The Clerk/Treasurer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Village should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

**Official's Response:** No response received from officials.

#### FINDING NUMBER 2012-006

##### Appropriations Exceeded Actual Resources

##### Noncompliance

**Ohio Rev. Code § 5705.36(A)(4)** provides that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations exceeded the amount of actual resources available (actual revenue plus the prior year encumbered balance) in the Police Levy Fund by \$2,266 and the Sewer Fund by \$6,147 in 2012.

Failure to limit appropriations to the amount of the available revenue resulted in overspending and negative cash fund balances. The Clerk/Treasurer should compare appropriations to actual resources to gain assurance that adequate resources are available. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by Council to reduce the appropriations.

**Official's Response:** No response received from officials.

#### FINDING NUMBER 2012-007

##### Expenditure Certification

##### Noncompliance

**Ohio Rev. Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2012-007  
 (Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2012 and 2011, 100% of the expenditures were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance.

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

**Official’s Response:** No response received from officials.

**FINDING NUMBER 2012-008**

**Expenditures Exceeded Appropriations**

**Noncompliance**

**Ohio Rev. Code § 5705.41(B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

Actual disbursements exceeded appropriations in the following funds for 2011:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
Village Match Grant Fund	\$51	\$46,338	(\$46,287)
Emergency Medical Services Levy Fund	21,300	22,342	(1,042)
Fire Levy Fund	10,200	10,752	(552)
Police Levy Fund	13,000	15,079	(2,079)
Water Fund	200,000	213,913	(13,913)
Sewer Fund	101,900	143,053	(41,153)

Actual disbursements exceeded appropriations in the following funds for 2012:

Fund	Appropriations	Expenditures	Variance
Village Match Grant Fund	\$51	\$4,162	(\$4,111)
Emergency Medical Services Levy Fund	20,660	28,064	(7,404)
Fire Levy Fund	9,900	12,846	(2,946)
Police Levy Fund	13,900	16,027	(2,127)
Ohio Water Development Authority Loan Fund	9,275	19,496	(10,239)
Water Fund	181,488	231,468	(49,980)
Sewer Fund	104,900	106,222	(1,322)

The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer should request Council to approve increased expenditure levels by increasing appropriations in the minutes and amending estimated resources, if necessary.

**Official's Response:** No response received from officials.

**FINDING NUMBER 2012-009**

**Deficit Balances**

**Noncompliance**

**Ohio Rev. Code § 5705.10(I)** provides that all money paid into a fund must be used for the purpose for which such fund has been established. A negative balance indicates that money from another fund(s) has been used to pay the obligations of the funds with deficit cash balances.

As of December 31, 2011, the Sewer Fund had a deficit cash balance of \$8,344.

As of December 31, 2012, the Police and Sewer Funds had deficit cash balances of \$654 and \$15,813, respectively.

The Clerk/Treasurer should monitor all fund balances closely and should notify Council immediately if a fund is getting near a deficit level. The deficit balances should be examined by Village management and options to prevent deficit spending should be considered.

**Official's Response:** No response received from officials.

**FINDING NUMBER 2012-010**

**Budget Amounts**

**Material Weakness**

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

**FINDING NUMBER 2012-010**  
**(Continued)**

In 2012, the Clerk/Treasurer did not post the amounts of appropriations as approved by Council to the ledgers.

As the appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is necessary that the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over Village receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriation amounts as passed by the Council. The Clerk/Treasurer and Council should also monitor budget versus actual reports to ensure amended certificates of resources and amended appropriations have been properly posted to the ledgers.

**Official's Response:** No response received from officials.

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**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 and 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	Ohio Rev. Code § 5705.41(D) Disbursements were not certified prior to expenditure.	No	Re-issued as finding 2012-007
2010-002	Ohio Rev. Code § 5705.39 Appropriations exceeded estimated resources.	No	Re-issued as Finding 2012-005
2010-003	Ohio Rev. Code § 5705.41(B) Disbursements exceeded appropriations.	No	Re-issued as finding 2012-008
2010-004	Proper Classification of Receipts and Disbursements	No	Re-issued as finding 2012-004.

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# Dave Yost • Auditor of State

**VILLAGE OF ADENA**

**JEFFERSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 27, 2015**