



Dave Yost • Auditor of State



VILLAGE OF ADENA  
JEFFERSON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Accountant's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	3
Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Enterprise Fund Type - For the Year Ended December 31, 2014 .....	4
Notes to the Financial Statements .....	5
Schedule of Federal Awards Expenditures .....	13
Notes to the Schedule of Federal Awards Expenditures .....	15
Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Accountant's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	19
Schedule of Findings.....	21
Schedule of Prior Audit Findings .....	29

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT

Village of Adena  
Jefferson County  
P.O. Box 507  
Adena, Ohio 43901-0507

To the Village Council:

### ***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements and related notes of Village of Adena, Jefferson County, (the Village) as of and for the year ended December 31, 2014.

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

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

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate evidence to provide a basis for an audit opinion.

### ***Basis for Disclaimer of Opinion***

The financial statements received for audit did not reflect the correct beginning balances and required numerous adjustments and reclassifications. Government Auditing Standards consider this service to impair the independence of the Auditor of State to audit the Village. Accordingly, we do not express an opinion on these financial statements.

### ***Disclaimer of Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were unable to obtain sufficient appropriate audit evidence to support an opinion. Accordingly, we do not express an opinion on these financial statements.

**Other Matters**

Our engagement was conducted to opine on the financial statements taken as a whole. The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 6, 2015

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$28,189	\$72,941		\$101,130
Intergovernmental	71,959	58,581	444,644	575,184
Fines, Licenses and Permits	14,926			14,926
Earnings on Investments	1,142			1,142
Miscellaneous		356		356
<i>Total Cash Receipts</i>	<u>116,216</u>	<u>131,878</u>	<u>444,644</u>	<u>692,738</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property		135,117		135,117
Leisure Time Activities		12,178		12,178
General Government	99,264			99,264
Capital Outlay		34,800	444,644	479,444
<i>Total Cash Disbursements</i>	<u>99,264</u>	<u>182,095</u>	<u>444,644</u>	<u>726,003</u>
<i>Net Change in Fund Cash Balances</i>	16,952	(50,217)		(33,265)
<i>Fund Cash Balances, January 1</i>	<u>(16,548)</u>	<u>150,043</u>		<u>133,495</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		99,826		99,826
Unassigned (Deficit)	404			404
<i>Fund Cash Balances, December 31</i>	<u>\$404</u>	<u>\$99,826</u>	<u>\$0</u>	<u>\$100,230</u>

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ENTERPRISE FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$318,159
Fines, Licenses and Permits	750
Miscellaneous	994
	994
<i>Total Operating Cash Receipts</i>	319,903
<b>Operating Cash Disbursements</b>	
Personal Services	53,463
Contractual Services	199,930
Supplies and Materials	54,742
	54,742
<i>Total Operating Cash Disbursements</i>	308,135
<i>Operating Income (Loss)</i>	11,768
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	771,935
Other Debt Proceeds	423,835
Capital Outlay	(1,208,306)
Principal Retirement	(71,162)
Interest and Other Fiscal Charges	(12,054)
	(12,054)
<i>Total Non-Operating Receipts (Disbursements)</i>	(95,752)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(83,984)
Transfers In	71,904
Transfers Out	(71,904)
	(71,904)
<i>Net Change in Fund Cash Balances</i>	(83,984)
<i>Fund Cash Balances, January 1</i>	100,937
<i>Fund Cash Balances, December 31</i>	\$16,953

*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, 2014**

**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.

The Village participates in the Ohio Municipal Joint Self-Insurance Pool, a public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization provides a jointly administered self-insurance risk management program and other administrative services to Ohio governments.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

New Street Improvement Fund - This fund receives levied tax monies for constructing, maintaining, and repairing Village streets.

Emergency Medical Services Levy Fund - This fund receives levied tax monies for Village emergency medical services contracts.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Capital Project Fund – This fund receives proceeds of Ohio Public Works Commission. The proceeds are being used to improve sewer facility.

**4. 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:

Sewer Project Fund - This fund receives loan proceeds from the Ohio Water Development Authority and grants Ohio Public Works Commission and Community Development Block Grant to finance a sewer facility improvement.

**E. Budgetary Process**

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

**1. Appropriations**

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

**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 approve estimated resources.

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 encumber all commitments required by Ohio law.

A summary of 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

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

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.

**G. 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.

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

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

	2014
Demand deposits	\$97,183
Certificates of deposit	20,000
Total deposits	117,183
Total deposits	\$117,183

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$282,053	\$116,216	(\$165,837)
Special Revenue	116,831	131,878	15,047
Capital Projects	0	444,644	444,644
Enterprise	2,023,522	1,665,642	(357,880)
Total	\$2,422,406	\$2,358,380	(\$64,026)

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$287,003	\$99,264	\$187,739
Special Revenue	202,483	182,095	20,388
Capital Projects	444,644	444,644	0
Enterprise	2,060,214	1,749,626	310,588
Total	\$2,994,344	\$2,475,629	\$518,715

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Emergency Medical Service fund by \$7,277, Fire Levy fund by \$14,541, Park Levy fund by \$3,518, Water Operating fund by \$69,462 and Sewer Operating fund by \$6,913 for the year ended December 31, 2014. Also contrary to Ohio law, at December 31, 2014, the Sewer Operating fund had a cash deficit balance of \$15,187 and Water Reserve fund had a deficit balance of \$200. In addition, appropriations exceeded estimated resources in the following funds: General \$161,459, Street Maintenance & Repair \$1,948, Police \$4,002, Water Reserve \$950 and Sewer Project \$519,811.

**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.

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, 2014 was as follows:

	Principal	Interest Rate
OWDA 1443	\$10,640	7.96%
OWDA 3755	\$337,285	2.00%
OWDA 6442	\$485,528	1.50%
USDA/Mortgage Revenue Bonds	\$10,000	5.00%
Wesbanco Note	53,757	5.04%
Total	\$897,210	

The Ohio Water Development Authority (OWDA) loans (#1443 and #3755) relate to water and sewer planning and construction projects. OWDA approved \$915,606 in loans to the village for this project. The village will repay the loans in semiannual installments for each of the three loans. Water and sewer receipts collateralize the loans. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**6. DEBT (Continued)**

OWDA Loan 6442 relates to a loan for sewer improvements mandated by the EPA. OWDA approved a loan of \$999,042 to the village for this project. The Village will repay the loan in semiannual installments. Sewer receipts collateralize the loan. The village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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.

The Wesbanco promissory note was issued as a general purpose business note. The village's taxing authority collateralized the note.

Amortization of the above debt, including interest, is scheduled as follows with one exception; OWDA 6442 amortization schedule is not available at this time:

Year ending December 31:	OWDA 1443	OWDA 3755	USDA/ Mortgage Revenue Bonds	Wesbanco Bank
2015	\$7,749	\$41,137	\$10,500	\$17,181
2016	3,891	41,137		17,181
2017		41,137		17,181
2018		41,137		7,158
2019		41,137		
2020-2024		164,246		
Total	<u>\$11,640</u>	<u>\$369,931</u>	<u>\$10,500</u>	<u>\$58,701</u>

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has not paid all contributions required through December 31, 2014.

**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.

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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, 2014, 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, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$ 833,561	\$ 1,030,198
Liabilities	<u>(782,525)</u>	<u>(882,203)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>147,995</u>

**8. INTERFUND ACTIVITY**

The Village made the following transfers during 2014:

	<u>Transfer- In</u>	<u>Transfer- Out</u>
Water Operating Fund		\$ 71,904
OWDA Fund	\$19,767	
Water Bond Fund	11,000	
Waterline Loan Fund	41,137	

The Water Fund transfers were to other enterprise fund to cover debt obligations.

**THIS PAGE INTENTIONALLY LEFT BLANK.**

VILLAGE OF ADENA

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
<i>Passed Through Ohio Development Services Agency</i>			
State Community Development Block Grant - Appalachian Regional Commission Grant (ARC)	C-P-12-2MT-1	14.228	250,000
State Community Development Block Grant- Residential Public Infrastructure Grant	C-W-12-2MT-1	14.228	<u>600,000</u>
Total U.S. Department of Housing and Urban Development			850,000
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 850,000</u></b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 31, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village of Adena's (the Village's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**THIS PAGE INTENTIONALLY LEFT BLANK.**



# Dave Yost • Auditor of State

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

Village of Adena  
Jefferson County  
P.O. Box 507  
Adena, Ohio 43901-0507

To the Village Council:

We were engaged to audit the financial statements of the Village of Adena, Jefferson County, (the Village), as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2015. We disclaimed our opinion on the financial statements because we were not independent with respect to the village due to numerous financial statements adjustments.

### ***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 we identified certain deficiencies in internal control over financial reporting, that we consider material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001, 2014-006 through 2014-009, described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 and 2014-006.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 6, 2015



# Dave Yost • Auditor of State

## ACCOUNTANT'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Village of Adena  
Jefferson County  
P.O. Box 507  
Adena, Ohio 43901-0507

To the Village Council:

### ***Report on Compliance for the Major Federal Program***

We have audited the Village of Adena's (the Village) 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 Adena's major federal program for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Village's major federal program.

### ***Management's Responsibility***

The Village'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's compliance for the Village's major federal program 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'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's major program. However, our audit does not provide a legal determination of the Village's compliance.

***Opinion on Major Federal Program***

In our opinion, the Village of Adena 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, 2014.

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

The Village'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'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'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 over 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 6, 2015

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Disclaimer
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block Grant CDFA #14.228
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2014-001**

**Material Weakness**

**Fund Balance Classifications**

Governmental Accounting Standards Board Statement 54 requires the Village to establish a fund balance policy to ensure expenditures are incurred for purposes intended. The Village failed to establish a fund balance policy. Without a fund balance policy in place, questions could arise as to how Village fund balances will be used.

**FINDING NUMBER 2014-001  
 (Continued)**

The following Ending Equity fund balances were reclassified from Unassigned to Restricted for 2014:

<b>Fund</b>	<b>Type</b>	<b>Amount</b>
Street Maintenance and Repair	Fund Balance Equity	\$7,429
Community Development Block Grant	Fund Balance Equity	52
Permanent Motor Vehicle License	Fund Balance Equity	12,803
FEMA	Fund Balance Equity	5,645
Park Levy	Fund Balance Equity	5,530
New Street	Fund Balance Equity	38,116
Emergency Medical Service	Fund Balance Equity	19,149
Fire Levy	Fund Balance Equity	8,171
Police Levy	Fund Balance Equity	2,928

The Village should adopt a fund balance policy. The policy should define whether the Village considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes from which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

For unrestricted fund balances, the classification should be based on the government's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

If a government does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**FINDING NUMBER 2014-002**

**Non Compliance**

**Deficit Fund Balances**

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

As of December 31, 2014, the Sewer Operating and Water Reserve Funds had deficit cash balances of \$15,187 and \$200, respectively.

The deficit balances indicate that money from another fund(s) has been used to pay the obligations of the aforementioned funds. Village Council and the clerk should review the finances and formulate a plan for the elimination of deficit balances

**FINDING NUMBER 2014-003**

**Noncompliance Citation**

**Public Employees Retirement Contributions**

**Ohio Rev. Code § 145.03** indicates membership in the Public Employees Retirement System is compulsory upon being employed and shall continue as long as public employment continues.

The Village had several employees that did not contribute to Ohio Public Employees Retirement System as required.

The Village should withhold OPERS from all required employees. This matter will be referred to OPERS.

**FINDING NUMBER 2014-004**

**Noncompliance Citation**

**Disbursements Exceeded Appropriations**

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

Actual disbursements exceeded appropriations in the following funds for 2014:

<b>Fund</b>	<b>Appropriations</b>	<b>Disbursements</b>	<b>Variance</b>	<b>Percent</b>
Emergency Medical Services Levy Fund	\$33,229	\$40,506	(\$7,277)	18%
Fire Levy Fund	\$13,130	\$27,671	(\$14,541)	53%
Park Levy Fund	\$8,660	\$12,178	(\$3,518)	29%
Water Operating Fund	\$214,970	\$284,432	(\$69,462)	24%
Sewer Operating Fund	\$98,970	\$105,883	(\$6,913)	46%

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 and available.

**FINDING NUMBER 2014-005**

**Noncompliance Citation**

**Appropriations Exceeded Actual Resources**

**Ohio Rev. Code § 5705.36(A)(4)** states 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. The following variances were noted:

**FINDING NUMBER 2014-005  
 (Continued)**

<b>Fund</b>	<b>Actual Resources</b>	<b>Appropriation</b>	<b>Variance</b>	<b>Percent</b>
General	\$125,544	\$287,003	\$161,459	56%
Street Maintenance & Repair	\$32,602	\$34,550	\$1,948	6%
Police	\$10,468	\$14,470	\$4,002	28%
Water Reserve	\$10,500	\$20,000	\$9,500	48%
Sewer Project	\$1,130,241	\$1,650,052	\$519,811	27%

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.

**FINDING NUMBER 2014-006**

**Noncompliance Citation/Material Weakness**

**Ohio Rev. Code § 5705.14, 5705.15 and 5705.16** provide guidelines pertaining to allowable inter-fund transfers. Ohio Revised Code Section 5705.14 details certain circumstances, in which transfers can be made from funds other than the General Fund. These transfers may be made by resolution of the taxing authority and passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by the Ohio Revised Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Revised Code Section 5705.15. Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members (i.e. a two thirds vote is not required for General Fund transfers though a resolution is required).

Transfers and advances must be approved and clearly labeled as such by a formal resolution of the taxing authority of the subdivision, which must include a specific statement that the transaction is a transfer/advance of cash, and if an advance, an indication of the money (fund) from which it is expected that repayment will be made.

In 2014, transfers made contrary to the above requirements were as follows:

<b>From</b>	<b>To</b>	<b>Amount</b>
Fire Levy Fund	General Fund	\$6,731
Emergency Medical Services Levy Fund	General fund	\$15,745
Water Line Loan Fund	Sewer Fund	\$4,247
Water Line Loan Fund	Water Reserve Fund	\$20,200

The Clerk/Treasurer has agreed to the adjustments and the correct amounts are reflected in the accompanying financial statements.

**FINDING NUMBER 2014-006  
 (Continued)**

Other transfers, which were otherwise allowable, were not approved prior to being posted to the accounting ledgers in both 2014. This could result in an unallowable transfer being recorded on the ledgers.

The Village should follow the requirements of Ohio Revised Code Sections 5705.14 through .16 to ensure compliance and proper use of public funds.

**FINDING NUMBER 2014-007**

**Material Weakness**

**Posting of Receipts, Expenditures, and On Behalf Payments**

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify, record and report all transactions. The Village Clerk/Treasurer did not correctly post all receipts and disbursements in 2014. This was attributed to the village clerk not abiding by the adopted chart of accounts

The Village Clerk/Treasurer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Description</b>
<i>Adjustments:</i>			
Sewer Project	Proceeds of Loans Revenue	\$9,300	Recorded in Community General Development Block Grant Fund as Miscellaneous Revenue and Security of Persons and Property Expenditures
	Capital Outlay Expenditures		
Sewer Project	Proceeds of Loans Revenue	\$172,529	Not recorded in Ledgers
	Capital Outlay Expenditures		
Capital Project	Intergovernmental Revenue	\$465,170	Not recorded in ledgers
Capital Project	Capital Outlay Expenditures	\$465,170	Not recorded in ledgers
<i>Reclassifications:</i>			
Ohio Water Development Authority	Interest and Fiscal Charges Expenditures	\$395	Recorded as Principal Retirement Expenditures.
Water Operating	Transfers Out	\$9,868	Recorded as Principal Retirement Expenditures.
Water Operating	Interest and Fiscal Charges Expenditures	\$1,779	Recorded as Principal Retirement Expenditures.
Sewer Operating	Principal Retirement Expenditures	\$1,251	Recorded as Supplies and Materials Expenditures.
Sewer Operating	Interest and Fiscal Charges Expenditures	\$31	Recorded as Supplies and Materials Expenditures.

**FINDING NUMBER 2014-007  
 (Continued)**

<b>Fund</b>	<b>Account</b>	<b>Amount</b>	<b>Description</b>
General	Fines, Fees and Permits Revenue	\$14,227	Recorded as Intergovernmental Revenue
General	Intergovernmental Revenue	\$8,291	Recorded as Tax Revenue
New Street Levy	Intergovernmental Revenue	\$3,655	Recorded as Tax Revenue
Emergency Medical Services Levy	Intergovernmental Revenue	\$6,542	Recorded as Tax Revenue
Fire Levy	Intergovernmental Revenue	\$1,782	Recorded as Tax Revenue
Police Levy	Intergovernmental Revenue	\$738	Recorded as Tax Revenue
Park Levy	Intergovernmental Revenue	\$3,977	Recorded as Tax Revenue
Water Operating	Proceeds of Loans Revenue	\$61,650	Recorded as Other Financing Sources Revenue.
Sewer Project	Proceeds of Loans Revenue Capital Outlay Expenditures	\$180,356	Recorded as Other Financing Sources Revenue and Other Financing Uses Expenditures.
Fire Levy	Intergovernmental Revenue	\$10,000	Recorded as Transfer In
Sewer Project	Intergovernmental Revenue	\$771,935	Recorded as Other Financing Sources Revenue
Permissive Motor Vehicle License Tax	Local Taxes Revenue	\$7,939	Recorded as Intergovernmental Revenue
Sewer Operating	Capital Outlay Expenditures	\$78,065	Recorded as Other Financing Uses Expenditures
Sewer Project	Capital Outlay Expenditures	\$846,121	Recorded as Other Financing Uses Expenditures

Failure to consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions correctly and to maintain accountability. In addition, the Clerk/Treasurer should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on-behalf-of programs when a local government and its residents are beneficiaries of the program. The Village should adopt procedures for the review of posted transactions and subsequent financial statements.

**FINDING NUMBER 2014-008**

**Material Weakness**

**Disbursing Levy Funds**

The Village contracts with Village of Adena Volunteer Fire Department for fire protection and emergency medical services. Adena Volunteer Fire Department is to receive all monies generated from Fire and Emergency Medical Services levies via real estate settlements.

The Village failed to disburse all monies. At December 31, 2014 the Village retained the following balances: Emergency Medical Service Levy Fund \$19,149 and Fire Levy \$8,171.

The Village should disburse levy monies to the appropriate recipient in a timely manner.

**FINDING NUMBER 2014-009**

**Material Weakness**

**Preparation of Financial Statements**

The Village should prepare annual financial statements in accordance with the guidance set forth by the Auditor of States Office. Inaccurate preparation of the financial statements could result in material errors and adjustments to the financial statements.

The Village classified expenditures on the detailed expenditure ledgers in 2014; however, when amounts were carried to the financial statements they were not always included in the proper line items. Generally, expenditures were posted to one line item.

The Village incorrectly classified Enterprise Debt Funds as Debt Service Funds. These funds included: Sewer Project, Water Reserve, Ohio Water Development Authority Loan, Water Bond, and Waterline Loan. These funds were reclassified as Enterprise Fund Type for 2014.

Failure to properly report transactions does not provide an accurate financial picture of the village.

The Village should take more care in preparing the annual financial statements. The Village should always use the prior audited financial statement balances as the beginning balances. Amounts for receipts and expenditures should be carried to the financial statements and included in the proper line items. Funds should be properly classified based on the source of revenue and the purpose of the fund. This may help ensure the financial statements are correct and reduce the risk of audit adjustments.

**Official's Response: No response received from officials for the findings listed.**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**THIS PAGE INTENTIONALLY LEFT BLANK.**

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	GASB 54 not applied to fund balances	No	Reissued as Finding Number 2014-001
2013-002	Ohio Rev. Code § 5705.41(B) Expenditures Exceeded Appropriations	No	Reissued as Finding Number 2014-004
2013-003	Ohio Rev. Code § 5705.36(A)(4) Appropriations Exceeded Actual Resources	No	Reissued as Finding Number 2014-005
2013-004	Ohio Rev. Code § 145.03 – employees not paying into PERS	No	Reissued as Finding Number 2014-003
2013-005	Ohio Rev. Code § 5705.10(I) Deficit Balances	No	Reissued as Finding Number 2014-002
2013-006	Preparation of Financial Statements	No	Reissued as Finding Number 2014-009
2013-007	Posting of Receipts and Expenditures	No	Reissued as Finding Number 2014-007

**This page intentionally left blank.**



# 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  
DECEMBER 1, 2015