

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

Financial Statements
(Audited)

For The Year Ended
December 31, 2015

CRYSTAL HUFFER, FISCAL OFFICER



Dave Yost • Auditor of State

Members of Council and Mayor
Village of Ada
115 W. Buckeye Street
Ada, Ohio 45810

We have reviewed the *Independent Auditor's Report* of the Village of Ada, Hardin County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

June 3, 2016

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**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Ada, Hardin County, as of and for the year ended December 31, 2015.

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.

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village of Ada prepared these financial statements using 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), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Ada does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Ada as of December 31, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Ada, Hardin County, Ohio, as of December 31, 2015, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2016, on our consideration of the Village of Ada's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Ada's internal control over financial reporting and compliance.



**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Property and Other Local Taxes	\$ 68,135	\$ -	\$ -	\$ 68,135
Municipal Income Tax	1,086,188	706,022	-	1,792,210
Intergovernmental	77,955	149,982	1,645,829	1,873,766
Special Assessments	88,225	-	-	88,225
Charges for Services	33,624	37,146	-	70,770
Fines, Licenses and Permits	32,037	310	-	32,347
Earnings on Investments	21,947	2,697	-	24,644
Miscellaneous	76,782	10,648	25,302	112,732
Total cash receipts	<u>1,484,893</u>	<u>906,805</u>	<u>1,671,131</u>	<u>4,062,829</u>
Cash disbursements:				
Current:				
Security of Persons and Property	126,693	629,195	-	755,888
Public Health Services	19,016	-	-	19,016
Leisure Time Activities	12,078	108,679	-	120,757
Community Environment	14,178	-	-	14,178
Transportation	392,752	41,653	-	434,405
General Government	254,659	-	-	254,659
Capital Outlay	46,980	-	1,679,128	1,726,108
Debt Service:				
Principal Retirement	137,466	15,500	-	152,966
Interest and Fiscal Charges	48,498	6,577	-	55,075
Total cash disbursements	<u>1,052,320</u>	<u>801,604</u>	<u>1,679,128</u>	<u>3,533,052</u>
Excess of receipts over (under) disbursements	<u>432,573</u>	<u>105,201</u>	<u>(7,997)</u>	<u>529,777</u>
Other Financing Receipts (Disbursements):				
Transfers In	-	-	55,000	55,000
Transfers Out	(55,000)	-	-	(55,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(55,000)</u>	<u>-</u>	<u>55,000</u>	<u>-</u>
Net change in fund cash balances	377,573	105,201	47,003	529,777
Fund cash balances, January 1, 2015	<u>1,072,633</u>	<u>1,429,131</u>	<u>40,098</u>	<u>2,541,862</u>
Fund cash balances:				
Restricted	53,605	1,534,332	87,101	1,675,038
Committed	50,000	-	-	50,000
Assigned	437,870	-	-	437,870
Unassigned (Deficit)	908,731	-	-	908,731
Fund cash balances, December 31, 2015	<u>\$ 1,450,206</u>	<u>\$ 1,534,332</u>	<u>\$ 87,101</u>	<u>\$ 3,071,639</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**VILLAGE OF ADA
HARDIN COUNTY**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Charges for Services	\$ 2,609,631	\$ -	\$ 2,609,631
Miscellaneous	50,310	600	50,910
Total operating cash receipts	<u>2,659,941</u>	<u>600</u>	<u>2,660,541</u>
Operating cash disbursements:			
Personal Services	394,775	-	394,775
Employee Fringe Benefits	122,009	-	122,009
Contractual Services	293,640	-	293,640
Supplies and Materials	705,452	549	706,001
Claims	-	8,175	8,175
Total operating cash disbursements	<u>1,515,876</u>	<u>8,724</u>	<u>1,524,600</u>
Operating income (loss)	<u>1,144,065</u>	<u>(8,124)</u>	<u>1,135,941</u>
Nonoperating cash receipts/(disbursements):			
Proceeds of Notes	10,111,698	-	10,111,698
Intergovernmental	993,474	-	993,474
Capital Outlay	(11,123,626)	-	(11,123,626)
Debt service:			
Principal	(265,270)	-	(265,270)
Interest	(49,186)	-	(49,186)
Total nonoperating cash receipts/(disbursements)	<u>(332,910)</u>	<u>-</u>	<u>(332,910)</u>
Net change in fund cash balances	811,155	(8,124)	803,031
Fund cash balances, January 1, 2015	<u>3,166,844</u>	<u>24,639</u>	<u>3,191,483</u>
Fund cash balances, December 31, 2015	<u>\$ 3,977,999</u>	<u>\$ 16,515</u>	<u>\$ 3,994,514</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - DESCRIPTION OF THE ENTITY

The Village of Ada, Hardin County, Ohio (the "Village"), is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council elected at large for four-year terms. The Mayor is elected to a four-year term, and votes only to break a tie. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, pool operations, and police services. The Village contracts with Ada-Liberty Township Fire Department for fire protection services.

Jointly Governed Organizations and Public Entity Risk Pools

The Village participates in two jointly governed organizations which are the Ada-Liberty Joint Ambulance District and Hardin County Regional Planning Commission, and one public entity risk pool which is the Public Entities Pool of Ohio. Note 13 and Note 10 to the financial statements provides additional information for these entities.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. 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.

During the year, the Village invested in certificates of deposit, which were purchased through the CDARS program.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

C. 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:

Governmental Fund Type:

General Fund

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

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:

Street Maintenance and Repair Fund- This fund is used to account for receipts from taxes and state grants restricted for the repair and maintenance of Village streets.

Safety Tax Levy Fund - This fund is used to account for receipts from a safety tax levy restricted for police officers' wages, benefits, uniforms, and equipment.

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 fund:

Capital Projects Fund - This fund is used to account for intergovernmental receipts and debt issuances related to major capital improvements.

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 Fund-This fund accounts for the provision of water to the residents and commercial users located within the Village and the payment of any related debts.

Sewer Fund - This fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village and the payment of any related debts.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Fiduciary Funds

Fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village did not have private-purpose trust funds.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other governments. The Village's Agency Fund is used to account for Fire Damage, Safer program, Unclaimed funds, and Insurance deposits.

D. 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. Appropriations lapse at year end.

2. Estimated Resources

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

A summary of 2015 budgetary activity appears in Note 4.

E. 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.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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.

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.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and cash equivalents pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31, 2015, was as follows:

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 3 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Demand deposits	\$	897,931
Certificates of deposit		6,168,222
Total deposits and investments		<u><u>\$ 7,066,153</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015, follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,354,098	\$1,484,893	\$130,795
Special Revenue	1,112,959	906,805	(206,154)
Capital Projects	2,960,742	1,726,131	(1,234,611)
Enterprise	18,242,268	13,765,113	(4,477,155)
Total	<u><u>\$23,670,067</u></u>	<u><u>\$17,882,942</u></u>	<u><u>(\$5,787,125)</u></u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,615,533	\$1,237,567	\$377,966
Special Revenue	1,288,763	1,128,086	160,677
Capital Projects	2,616,822	1,682,783	934,039
Enterprise	18,711,861	13,010,019	5,701,842
Total	<u><u>\$24,232,979</u></u>	<u><u>\$17,058,455</u></u>	<u><u>\$7,174,524</u></u>

NOTE 5 - 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.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 6 - LOCAL INCOME TAX

The Village levies a municipal income tax of 1.65 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

NOTE 7 - DEBT

A summary of the Village's outstanding debt follows:

Issuance	Interest Rate	Fund Type	Balance 12/31/2014	Additions	Reductions	Balance 12/31/2015
Ohio Water Development Authority (1998)	2.20%	Enterprise	\$ 168,643	\$ -	\$ (66,353)	\$ 102,290
Ohio Water Development Authority (2000)	2.20%	Enterprise	701,171	-	(93,714)	607,457
Ohio Water Development Authority (2014)	1.00%	Enterprise	565,782	-	(565,782)	-
Ohio Public Works Commission Loan (2011)	0.00%	Enterprise	75,496	-	(3,432)	72,064
General Obligation Note (2006)	5.31%	Enterprise	32,719	-	(15,919)	16,800
General Obligation Note (2006)	3.93%	General/Enterprise	35,950	-	(35,950)	-
General Obligation Note (2013)	3.83%	General/Special Revenue/Enterprise	2,790,000	-	(135,000)	2,655,000
Streetscape Bonds (2004)	4.50%	General/Special Revenue/Enterprise	15,000	-	(15,000)	-
Ohio Water Development Authority (2015) not final		Enterprise	-	10,111,698	-	10,111,698
Total Principal Outstanding			\$ 4,384,761	\$ 10,111,698	\$ (931,150)	\$ 13,565,309

The Ohio Water Development Authority (OWDA) loans relate to sewer system expansion projects that were mandated by the Ohio Environmental Protection Agency. The 1998 and 2000 loans will be repaid in semiannual installments over 20 years. The loans are collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the (OWDA) debt service requirements.

The 2014 Ohio Water Development Authority (OWDA) loan was refinanced into the 2015 Ohio Water Development Authority (OWDA) loan which will not be finalized until 2016. Thus, there is no interest rate or amortization schedule. The 2015 Ohio Water Development Authority loan was issued for a new wastewater treatment plant.

The 2011 Ohio Public Works Commission (OPWC) loan was issued for the East Lincoln Street Project with zero 0% interest. The principal will be retired in equal amounts over 25 years.

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

A General Obligation Note was issued in 2006 to repaint the water tower. This note was paid off in 2015.

A General Obligation Note was issued in 2013 to repay the Buckeye Streetscape Loan and to repay a majority of the Main Street Streetscape loan and to refinance the Concrete Streets Loan. The principal will be retired in varying amounts over 20 years.

The Streetscape Bonds were issued in 2004 for streetscape improvements. These bonds were paid off in 2015.

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 7 - DEBT - (Continued)

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

Year Ending December 31,	Principal	Interest	Total
2016	\$ 343,839	\$ 97,812	\$ 441,651
2017	290,808	91,684	382,492
2018	258,503	86,349	344,852
2019	265,717	81,346	347,063
2020	267,979	75,403	343,382
2021 - 2025	954,019	291,035	1,245,054
2026 - 2030	747,158	158,094	905,252
2031 - 2035	322,158	26,781	348,939
2036	3,430	-	3,430
Total	<u>\$ 3,453,611</u>	<u>\$ 908,504</u>	<u>\$ 4,362,115</u>

NOTE 8 - LEASES

The Village leases vehicles and other equipment under non-cancelable leases. The Village records principal and interest payments in the general, water and sewer funds. The Village disbursed \$58,275 (\$52,868 in principal) to pay lease costs for the year ended December 31, 2015. Future lease payments are as follows:

Year	Amount
2016	\$50,885
2017	39,115
2018	14,852
2019	6,625
Total	<u>\$111,477</u>

NOTE 9 - RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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. From January 1, 2015, through June 30, 2015, OP&F participants contributed 11.5% of their annual covered salary. From July 1, 2015 through December 31, 2015 OP&F participants contributed 12.25% of their annual salaries. For 2015, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% of covered payroll. The Village has paid all contributions required through December 31, 2015.

VILLAGE OF ADA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 10 - RISK MANAGEMENT

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

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

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

A. Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

B. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2013, and 2014 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$ 34,411,883	\$ 35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	<u>\$ 21,651,689</u>	<u>\$ 23,038,920</u>

At December 31, 2013, and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Village's share of these unpaid claims collectible in future years is approximately \$54,000.

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

VILLAGE OF ADA, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - RISK MANAGEMENT - (Continued)

Contributions to PEP		
2013	2014	2015
\$ 76,392	\$ 80,649	\$ 81,480

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

NOTE 11 - CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

B. Litigation

At December 31, 2015, the Village was not involved in any lawsuits that would have a material adverse effect on the Village's financial position.

NOTE 12- RELATED PARTY TRANSACTIONS

Council person Catherine Cole works at Cole Motor Sales in Ada, Ohio. The Village of Ada does incur expenditures for vehicle maintenance with her employer. The Village of Ada has also purchased vehicles from her employer. She has abstained from all transactions relating to her employer. In addition, Council person Jeffrey Oestreich works at WCOIL in Lima, Ohio. The Village of Ada does receive internet services through his employer for the safety department. Currently, all other departments only have email addresses associated with his employer. He has abstained from all transactions relating to his employer.

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS

A. Ada Liberty Joint Ambulance District

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

VILLAGE OF ADA, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

B. Hardin County Regional Planning Commission

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

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

NOTE 14 - SUBSEQUENT EVENTS

The Village is under mandates from the EPA to update the sanitary sewer plant. Grants have been applied for, and designs have been created to update the facility. Construction is underway and expected to be finished in 2016.

In 2016, the Village issued a loan with the Ohio Public Works Commission for the East Lima Avenue Reconstruction Project.

SUPPLEMENTARY INFORMATION

VILLAGE OF ADA
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF TRANSPORTATION			
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	93783	20.205	\$ 991,691
Highway Planning and Construction	91899	20.205	<u>271,887</u>
Total U.S. Department of Transportation			<u>1,263,578</u>
Total Federal Awards Expenditures			<u>\$ 1,263,578</u>

Notes to the Schedule of Federal Awards Expenditures:

Note A - Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the "Schedule") summarizes the activity of the Village of Ada (the "Village") federal awards programs. The Schedule has been prepared on the cash basis of accounting. The Village elected no to use the 10% de minimus cost rate as covered in section 200.414 of the Uniform Guidance.

Note B - Matching Requirements

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



Julian & Grube, Inc.

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

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Ada, Hardin County, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated April 25, 2016, wherein we noted the Village of Ada followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Members of Council and Mayor
Village of Ada

Compliance and Other Matters

As part of reasonably assuring whether the Village of Ada's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Julian & Grube, Inc.
April 25, 2016



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

Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the *Uniform Guidance*

Village of Ada
Hardin County
115 W. Buckeye Street
Ada, Ohio 45810

To the Members of Council and Mayor:

Report on Compliance for the Major Federal Program

We have audited the Village of Ada's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Village of Ada's major federal program for the year ended December 31, 2015. The Village of Ada's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Village of Ada's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Ada's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Village of Ada complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Members of Council and Mayor
Village of Ada

Report on Internal Control over Compliance

Management of the Village of Ada is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village of Ada's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village of Ada's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
April 25, 2016

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS
UNIFORM GUIDANCE § 200.515
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	GAAP - Adverse Regulatory - Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § 200.516	No
<i>(d)(1)(vii)</i>	Major Program:	Highway Planning and Construction, CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**VILLAGE OF ADA
HARDIN COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
UNIFORM GUIDANCE § 200.511
DECEMBER 31, 2015**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2014-001	2014	<u>Material Noncompliance - Ohio Revised Code Section 5705.39</u> - The Village had appropriations in excess of estimated resources in the Swimming Pool and Capital Projects funds.	Yes	N/A
2014-002	2014	<u>Material Noncompliance - Ohio Revised Code Section 5705.36</u> - The Village did not properly certify unencumbered fund balances at January 1, 2014. Also, the Village did not request enough amended certificates throughout the year upon notice of increased or decreased resources.	Partially corrected	Re-issued as Management Letter Comment; the Village properly requested enough amended certificates throughout the year; however, the Village did not properly certify unencumbered fund balances at January 1, 2015.

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Dave Yost • Auditor of State

VILLAGE OF ADA

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 16, 2016