

**VILLAGE OF ADENA  
JEFFERSON COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007**





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Adena  
P.O. Box 507  
Adena, Ohio 43901

We have reviewed the *Independent Accountants' Report* of the Village of Adena, Jefferson County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Adena is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 20, 2009

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VILLAGE OF ADENA  
JEFFERSON COUNTY

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Accountants and Consultants

## Independent Accountants' Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Adena, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2008 and 2007. Instead of combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also present its larger (major funds) separately for 2008 and 2007. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Village of Adena, Jefferson County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Village to include Management's Discussion and Analysis for the years ended December 31, 2008 and 2007. The Village has not presented Management's Discussion and Analysis which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2009, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Knox & Knox***

Orrville, Ohio  
August 25, 2009



VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>CASH RECEIPTS:</b>			
Property and Other Local Taxes	\$35,246	\$51,410	\$86,656
Intergovernmental Revenue	76,096	86,453	162,549
Special Assessments		8,122	8,122
Charges for Services	280		280
Licenses, Fees, and Permits	3,230		3,230
Earnings on Investments	1,033	509	1,542
<b>Total Cash Receipts</b>	<b>115,885</b>	<b>146,494</b>	<b>262,379</b>
<b>CASH DISBURSEMENTS:</b>			
Current:			
Security of Persons and Property	12,159	73,829	85,988
Public Health Services	771		771
Leisure Time		13,766	13,766
Transportation		13,082	13,082
General Government	65,895		65,895
Debt Services:			
Redemption of Principal	31,093		31,093
Interest/Other Fiscal Chargers	4,202		4,202
<b>Total Cash Disbursements</b>	<b>114,120</b>	<b>100,677</b>	<b>214,797</b>
Total Receipts Over/(Under) Disbursements	1,765	45,817	47,582
Fund Cash Balances, January 1	23,102	17,279	40,381
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$24,867</b>	<b>\$63,096</b>	<b>\$87,963</b>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Fund Types Enterprise</u>
<b>OPERATING CASH RECEIPTS</b>	
Charge for Services	\$313,878
Miscellaneous	<u>2,586</u>
Total Operating Cash Receipts	<u>316,464</u>
<b>OPERATING CASH DISBURSEMENTS</b>	
Personal Service	43,894
Contractual Service	115,945
Supplies and Materials	32,675
Other	1,580
Capital Outlay	<u>450</u>
Total Operating Cash Disbursements	<u>194,544</u>
Operating Income/(Loss)	121,920
<b>NON-OPERATING CASH RECEIPTS/DISBURSEMENTS</b>	
Principal Payments	(25,279)
Interest Payments	<u>(22,652)</u>
Total Non-Operating Cash Disbursements	<u>(47,931)</u>
Net Receipts Over/(Under) Disbursements	73,989
Fund Cash Balances, January 1	<u>30,026</u>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<u><b>\$104,015</b></u>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
<b>CASH RECEIPTS:</b>			
Property and Other Local Taxes	\$32,045	\$50,952	\$82,997
Intergovernmental Revenue	74,402	39,585	113,987
Special Assessments		10,537	10,537
Charges for Services	618		618
Licenses, Fees, and Permits	1,256	390	1,646
<b>Total Cash Receipts</b>	<b>108,321</b>	<b>101,464</b>	<b>209,785</b>
<b>CASH DISBURSEMENTS:</b>			
Current:			
Security of Persons and Property	10,966	98,842	109,808
Public Health Services	390		390
Leisure Time		12,059	12,059
Transportation		49,675	49,675
General Government	61,773	403	62,176
<b>Total Cash Disbursements</b>	<b>73,129</b>	<b>160,979</b>	<b>234,108</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>35,192</b>	<b>(59,515)</b>	<b>(24,323)</b>
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>			
Transfers-Out	(30,000)		(30,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(30,000)</b>		<b>(30,000)</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Sources</b>	<b>5,192</b>	<b>(59,515)</b>	<b>(54,323)</b>
<b>Fund Cash Balances, January 1</b>	<b>17,910</b>	<b>76,794</b>	<b>94,704</b>
<b>FUND CASH BALANCES, DECEMBER 31</b>	<b>\$23,102</b>	<b>\$17,279</b>	<b>\$40,381</b>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Types Enterprise</u>
<b>OPERATING CASH RECEIPTS</b>	
Charge for Services	\$304,481
Miscellaneous	<u>3,666</u>
Total Operating Cash Receipts	<u>308,147</u>
<b>OPERATING CASH DISBURSEMENTS</b>	
Personal Service	61,600
Contractual Service	183,214
Supplies and Materials	31,506
Other	<u>1,150</u>
Total Operating Cash Disbursements	<u>277,470</u>
Operating Income/(Loss)	<u>30,677</u>
<b>NON-OPERATING CASH RECEIPTS/DISBURSEMENTS</b>	
Transfers In	30,000
Principal Payments	(47,893)
Interest Payments	<u>(23,342)</u>
Total Non-Operating Cash Disbursements	<u>(41,235)</u>
Net Receipts Over/(Under) Disbursements	(10,558)
Fund Cash Balances, January 1	<u>40,584</u>
FUND CASH BALANCES, DECEMBER 31	<u><u>\$30,026</u></u>

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

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

The Village of Adena, Jefferson County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, street maintenance and repair, park operations (leisure time activities), and police protection. The Village contracts with Adena Volunteer Fire Department to receive fire protection.

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

B. **BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequately disclose material matters the Auditor of State prescribes.

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:

1. **General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

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

*Street Improvement Fund* - This fund receives tax levy money for new construction and repair of Village streets.

*Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money for constructing, maintaining and repairing roads and bridges.

*Fire Levy Fund* - This fund receives local tax monies and charges for services for the purpose of providing fire protection services to the Village.

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

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

C. **FUND ACCOUNTING** (continued)

2. **Special Revenue Funds** (continued)

*Police Levy Fund* - This fund receives property tax money to provide police protection to the Village.

3. **Enterprise Funds**

These funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Revenue Fund* - This fund receives charges for services from residents to cover the cost of providing water service.

*Sanitary Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing sewer service.

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 department, division or office level of control, and within each of the amounts appropriated for personal services. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

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

3. **Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled over and need to be reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

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

E. **PROPERTY, PLANT AND EQUIPMENT**

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

F. **ACCUMULATED LEAVE**

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

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

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

	2008	2007
Demand deposits	\$171,978	\$50,407
Certificates of deposit	20,000	20,000
Total deposits	\$191,978	\$70,407

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007, follows:

Fund Type	2008 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$80,000	\$115,885	\$35,885
Special Revenue	90,500	146,494	55,994
Enterprise	350,000	316,464	(33,536)
Total	\$520,500	\$578,843	\$58,343

Fund Type	2008 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,376	\$114,120	(\$744)
Special Revenue	239,209	100,677	138,532
Enterprise	156,698	242,475	(85,777)
Total	\$509,283	\$457,272	\$52,011

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

**3. BUDGETARY ACTIVITY** (continued)

Fund Type	2007 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$107,805	\$108,321	\$516
Special Revenue	141,555	101,464	(40,091)
Enterprise	290,347	338,147	47,800
Total	\$539,707	\$547,932	\$8,225

Fund Type	2007 Budgeted vs Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,771	\$103,129	\$82,642
Special Revenue	139,331	160,979	(21,648)
Enterprise		348,705	(348,705)
Total	\$325,102	\$612,813	(\$287,711)

Contrary to Ohio law, expenditures exceeded appropriations in the Enterprise and General Fund types in 2008 and in the Enterprise Fund type and the Special Revenue Fund types in 2007. Also, appropriations exceeded estimated resources in the General and Special Revenue types in 2008 and the General Fund in 2007.

**4. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owner, who must file a list of such property to the County by each April 30. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**5. DEBT**

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest
Ohio Water Development Authority	\$649,105	2%-8.04%
Water Revenue Bonds	62,000	5%
	\$711,105	



VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

5. **DEBT** (continued)

The Ohio Water Development Authority (OWDA) loans were issued for long term construction projects of the Village's sewer system and were issued for twenty-five years each. Future utility revenue of the Village has been pledged to repay the loans.

Water Revenue Bonds were issued to pay for the water projects within the Village. Future water utility revenue has been pledged to repay the bonds.

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

Year ended December 31:	OWDA 1442		
	Principal	Interest	Total
2009	\$7,669	\$3,942	\$11,611
2010	8,286	3,405	11,691
2011	8,952	2,825	11,777
2012	9,672	2,198	11,870
2013	10,449	1,522	11,971
2014	11,289	791	12,080
Totals	<u>\$56,317</u>	<u>\$14,683</u>	<u>\$71,000</u>

Year ended December 31:	OWDA 3755		
	Principal	Interest	Total
2009	\$31,765	\$10,837	\$42,602
2010	32,403	10,199	42,602
2011	33,055	9,547	42,602
2012	33,720	8,882	42,602
2013	34,397	8,205	42,602
2014-2018	182,640	30,370	213,010
2019-2023	201,748	11,262	213,010
Totals	<u>\$549,728</u>	<u>\$89,302</u>	<u>\$639,030</u>

Year ended December 31:	OWDA 1443		
	Principal	Interest	Total
2009	\$4,424	\$3,014	\$7,438
2010	4,776	2,705	7,481
2011	5,156	2,370	7,526
2012	5,567	2,009	7,576
2013	6,010	1,620	7,630
2014-2016	17,127	2,199	19,326
Totals	<u>\$43,060</u>	<u>\$13,917</u>	<u>\$56,977</u>

Year ended December 31:	Water Revenue Bonds		
	Principal	Interest	Total
2009	\$8,000	\$3,100	\$11,100
2010	8,000	2,700	10,700
2011	8,000	2,300	10,300
2012	9,000	1,900	10,900
2013	9,000	1,450	10,450
2014-2015	20,000	1,500	21,500
Totals	<u>\$62,000</u>	<u>\$12,950</u>	<u>\$74,950</u>

VILLAGE OF ADENA  
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 and 2007

**6. RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The Village contributed an amount equal to 14% (2008) and 13.75% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**7. RISK MANAGEMENT**

The Government belongs to the Ohio Government Risk Management Plan (the Plan) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments (Members) .

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,00 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	(4,273,533)	(3,329,620)
Members' Equity	<u>\$6,862,922</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

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Accountants and Consultants

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL  
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 have audited the accompanying financial statements of the Village of Adena, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 25, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider a material weakness, and is shown in the accompanying schedule as Finding 2008-02. We noted other matters that we reported to the Village's management in a separate letter dated August 25, 2009.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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, providing an opinion 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 three instances of noncompliance or other matters we must report under *Government Auditing Standards* and are shown in the accompanying schedule as Findings 2008-01, 2008-03 and 2008-04.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.

KNOX & KNOX

Orrville, Ohio  
August 25, 2009

VILLAGE OF ADENA  
JEFFERSON COUNTY

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been properly appropriated.

Village expenditures exceeded appropriations in the following instances for 2008 and 2007:

<u>Fund Type</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
General (2008)	\$113,376	\$114,120	(\$744)
Enterprise (2008)	\$156,698	\$242,475	(\$85,777)
Special Revenue (2007)	\$139,331	\$160,979	(\$21,648)
Enterprise (2007)		\$348,705	(\$348,705)

The failure to limit expenditures plus encumbrances to the amount appropriated by the Village Council could result in overspending and negative cash balances. The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Client Response: None

FINDING NUMBER 2008-02

Significant Deficiency

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

Client Response: None

FINDING NUMBER 2008-03

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states that appropriations are limited by estimated resources.

Village appropriations exceeded estimated resources in the following instances at December 31:

<u>Fund Type</u>	<u>Appropriation</u>	<u>Estimated Resources</u>	<u>Variance</u>
General (2008)	\$113,376	\$103,102	(\$10,274)
Special Revenue (2008)	\$239,209	\$107,779	(\$131,430)
General	\$185,771	\$125,715	(\$60,056)

Client Response: None

FINDING NUMBER 2008-04

Noncompliance Citation

Ohio Rev. Code Section 5705.10(D) requires that the availability of funds must be certified prior to allowing the expenditure. No evidence of this control was noted during the audit period.

Client Response: None

VILLAGE OF ADENA  
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-01	Ohio Revised Code Section 5705.41(B) - Expenditures exceeded appropriations.	No	Repeated as finding number 2008-01
2006-02	Ohio Revised Code Section 117.38 - the Village did not file its annual report	Yes	Finding no longer valid.
2006-03	Significant Deficiency - Failure to follow a uniform chart of accounts	No	Repeated as finding number 2008-02





Mary Taylor, CPA  
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  
NOVEMBER 5, 2009